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N o t e s

All dollar figures used in the text and charts are rounded to the nearest \$ 100 thousand.

In Section 5, throughout the Program Status Reports, labor and other operating expense percentages used in the “Average Army Data” financial information boxes are a percent of total revenue. Cost of goods sold percentages are a percent of sales.

Acknowledgments

The MWR annual report is compiled by the Strategic Planning and Policy Directorate, U.S. Army Community and Family Support Center. For information or additional copies, contact Abe Van Dyne at (703) 325-9297 or Joseph Trebing at (703) 325-4352.

Salute to FY 96

Fiscal year 1996 was a banner year for Army Morale, Welfare and Recreation, as leaders at every level continued to meet customer demand while repositioning the program for the 21st century.

The MWR Board of Directors provided the global guidance and vision to maintain the long-term viability of MWR for the future. They adopted a new financial management plan to preserve the fiscal stability of the Army Morale, Welfare and Recreation Fund. The MWR BOD revised the financial standards to ensure the long-term viability of installation NAFIs and centrally funded programs, such as the \$40M nonappropriated fund construction program. Additionally, they voted to fund 15 percent of the cost of the NAF medical health insurance plan from the AMWRF to maintain employee affordability.

Installation MWR performance reached new levels with continued improvement to the effectiveness and efficiency of program operations. In the aggregate, installations achieved net income before depreciation of \$55.6M, or 6.7 percent of revenue — an increase of \$22.1M over FY 95. These increased revenues continue to be reinvested in local and central MWR programs to improve services worldwide for soldiers and their families.

During FY 96, more than 50 MWR professionals served three- to twelve-month tours providing fitness, recreation and leisure programs for soldiers deployed to Hungary and Bosnia for *Operation Joint Endeavor*. These dedicated employees carried on the tradition of providing MWR wherever in the world soldiers are assigned. On the homefront, Army Family Team Building and family programs continued to prepare our families to be self-sufficient. Efforts focused on training ACS staff, rear detachment commanders, and family support group leaders in preparation for more frequent deployments, homecomings and reunions.

Program performance during FY 96 provides a stable platform from which to project future operations. With sustained support from commanders and program professionals, MWR will respond to the changing environment of Force XXI, gaining momentum to meet the needs of America's Army, *for both today and tomorrow*.



EVAN R. GADDIS
Brigadier General, U.S.
Army
Commander, Community and
Family Support Center

“An important part of readiness — of soldiers doing their jobs whether at their home station, at a training assignment here in the U.S. or deployed abroad — is the soldier’s ability to go about his or her work with peace of mind: with the knowledge that society values that work; and that his or her family is being provided for. And so, quality of life will continue to be a priority to the Army leadership.”

- Honorable Togo D. West, Jr.
Secretary of the Army

“The country owes its soldiers a quality of life sufficient to raise their families successfully and with dignity. We should do no less.”

- Gen. Dennis J. Reimer
Chief of Staff, Army



Executive Summary: FY 96 Pass in Review



The Commander in Chief's Guard, 3rd U.S. Infantry (The Old Guard), passes in review.

"...A key element of readiness is the quality of our personnel, and therefore the quality of life we provide them and their families...."

*-William S. Cohen
Secretary of Defense*

CONGRESSIONAL SUPPORT

Congress continues its strong support of morale, welfare and recreation programs as critical elements of quality of life for America's Army. For fiscal years 1995, 1996, and 1997, Congress provided additional appropriated funds beyond the budget request to support family programs. For FY 97, this included \$7.8M for the New Parent Support Program and \$15.4M for construction of three Army Child Development Centers.

The House National Security Committee stated that MWR programs are a vital part of quality of life and are "fundamental to force readiness." The Committee recognizes that appropriated fund shortfalls require the use of nonappropriated funds to subsidize APF. Noting that the use of NAF to subsidize APF-authorized activities should be minimized, the HNSC encouraged the Services to meet Department of Defense policy guidance regarding the use of APF (100 percent for Category A and 65 percent for Category B).

Implementation of the FY 96 Defense Authorization Act (Public Law 104-106) required the Secretary of Defense to conduct a demonstration program at three to six military installations under which APF for MWR support is combined with NAF available for these programs and treated as NAF. DOD selected Fort Campbell and White Sands Missile Range as Army demonstration sites for the merged APF/NAF demonstration program.

DOD AND ARMY LEADERSHIP

Quality of life programs, including community and family support programs, continue to receive strong support from both the Department

of Defense and Department of the Army Secretariats. Emphasis continues on the importance of QOL for soldiers and families and the strong link between MWR and readiness. While advocacy for the programs remains strong, many of the initiatives undertaken during FY 96 focus on accountability of resources, efficient delivery of programs, and meeting congressional mandates. The support provided is exemplified by the following:

- ♦ Secretary of Defense quality of life initiatives from Program Decision Memorandum III that increased funding in FY 96 in child care and MWR by \$22M per year. This increase continues through FY 2001.
- ♦ DOD Resale Board initiatives that encourage joint Service economies and have the potential to reduce costs and improve support for MWR frontline operations. Included are joint service training initiatives, consolidated procurement, and cooperative NAF construction.
- ♦ Updated Department of the Army Secretariat policies for MWR and lodging, partnering efforts with the community to open category C activities to the public, improvements in the project validation assessment process for NAF construction, purchase of Shades of Green, and privatization of Hotel Thayer.
- ♦ DOD *Goals and Measures for Community and Family Support Programs*. This set of targets will provide common direction among the Services and benchmarks to measure progress.

During FY 96, CFSC participated in several Armywide functional area assessments that targeted organizational redesign and reengineered processes in support of Force XXI, the Army of the 21st century. The MWR portion of the Personnel Functional Area Assessment recommendations included capitalizing on innovative programs and common support ideas to reduce overhead and maintain quality services for our customers. Suggestions included partnering, privatizing, outsourcing, relying less on facilities to provide programs, implementing unified resourcing to lessen the effect of parallel NAF and APF support systems, and centralizing or regionalizing common support.

A second FAA conducted under Forces Command leadership reviewed the roles, functions, and methodologies to run all base operations. Phase 1 of the BASOPS FAA recommended privatizing or contracting out most MWR programs.

In FY 97, phase 2 of the BASOPS FAA, under leadership of the Assistant Chief of Staff for Installation Management, will seek to streamline oversight responsibilities between Major Army Commands and HQDA by reducing direct

operation of BASOPS at HQDA and eliminating oversight redundancies between HQDA and the MACOMs.

BOARD OF DIRECTORS

The MWR Board of Directors continued to define its strong leadership role in the management and operation of the Army's MWR programs. Senior commanders ensure that Armywide requirements are balanced against MACOM and installation perspectives as MWR recasts operations to meet the demands of the future. The BOD accomplishments for FY 96 include:

- ◆ Increasing the employer contribution for the self-insured component of the NAF Employee Health Benefits Plan from 50 to 65 percent by centrally funding the increase from the Army Morale, Welfare, and Recreation Fund. This change decreased employee share of the cost from 50 to 35 percent.
- ◆ Approving initiatives to guarantee the long-term financial viability of the AMWRF: a NAF Financial Management Plan with standing policies and financial options to ensure fiscal integrity of the AMWRF; a moratorium on new initiatives requiring significant resourcing; limiting aggregate MACOM annual capital purchases and minor construction execution to aggregate MACOM annual net income before depreciation; direction that prior to execution of CPMC, the aggregate MACOM cash-to-debt ratio must be at least 1:1; and tightening budget variances in the MWR Standards Assessment.
- ◆ Increasing the frequency of BOD meetings in order to ensure more timely and frequent review of the direction of the MWR program.
- ◆ Approving the continuation of a \$40M NAF major construction program and approving the FY 97 NAF construction program at a cost to the AMWRF of \$39.9M.
- ◆ Approving the addition of the Sergeant Major of the Army as a member of the BOD.

FINANCIAL OVERVIEW

ALL ARMY MWR OPERATING FUNDS

Field operating nonappropriated fund instrumentalities, the Army Recreation Machine Program, and the Army, Morale, Welfare and Recreation Fund comprise Army MWR operating funds.

Collectively, FY 96 APF and NAF support exceeded \$1.3B, a \$42M increase over FY 95. In FY 96, APF and NAF shares of the total support were 33 and 67 percent, respectively. This represents a 3 percent increase to APF support

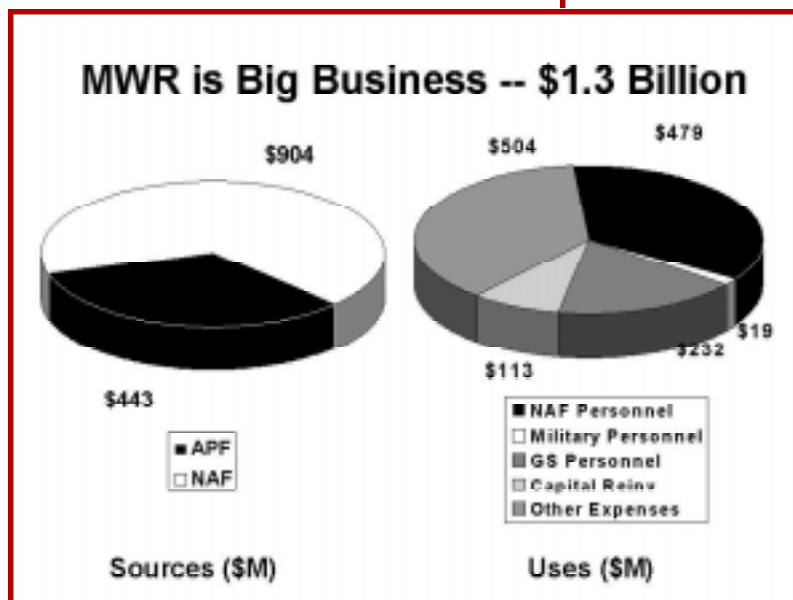


Figure 1-1

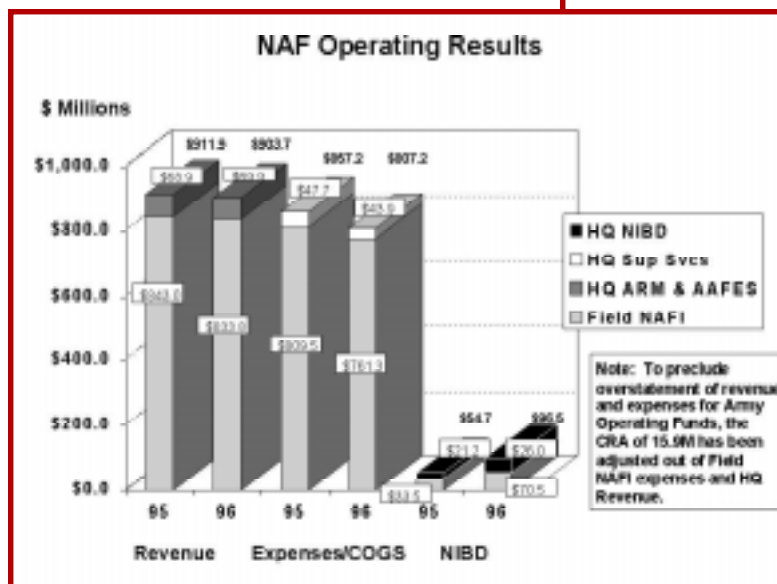
for MWR from FY 95 and a 5 percent APF increase from FY 94. Total NAF revenue declined \$8M from FY 95, or 1 percent. Figure 1-1 highlights total support and illustrates how APF and NAF dollars were used. Personnel continues to be the major use of funds, at 54 percent of total uses. After operating costs were paid, \$113 million was available for capital requirements, such as continued purchase of the management information system, regular NAF major construction, Eighth United States Army's cable TV program, and worldwide capital purchases and minor construction.

For the second consecutive year, APF support to soldier MWR and family programs increased. Total FY 96 execution, including Army Community Service, was \$344M, compared to \$331M in FY 95 and \$321M in FY 94. The FY 96 execution is a 3.9 percent increase over FY 95. Based

The Scope of MWR:

- 25,681,000 sq ft (facilities)
- 4,046 front doors
- 39,400 employees
- 15,838 volunteers

Figure 1-2



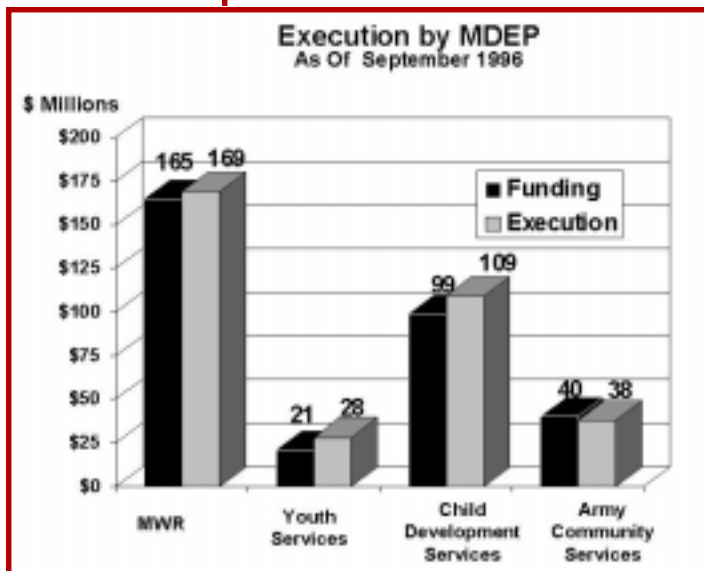


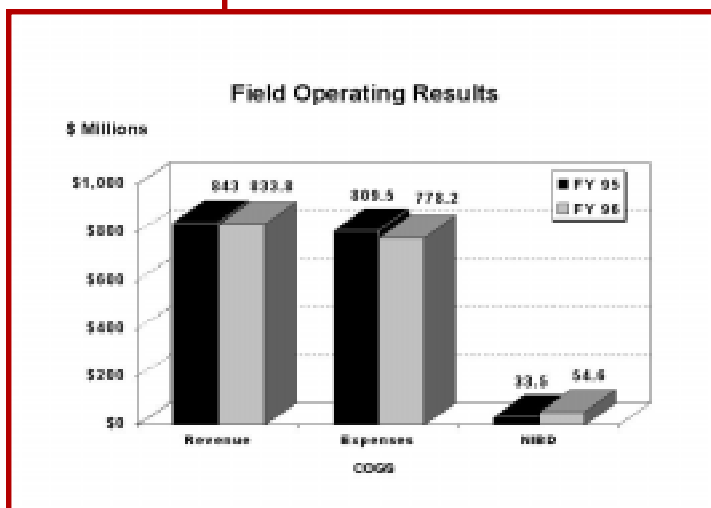
Figure 1-3

on average regular troop strengths, FY 96 per capita support amounted to \$337 for the .S account and \$349 for family programs, an additional \$22 for soldier MWR and \$33 for family programs from FY 95.

For NAF, figure 1-2 compares operating results for FY 96 versus FY 95. To preclude overstating FY 96 revenue and expenses, we adjusted the capital reinvestment assessment of \$15.9M out of field operating expenses and HQ revenue. Subsequent sections depicting field results will include the CRA.

Despite a decrease in total revenue, operating expenses and cost of goods sold declined by a greater margin, creating an increase to the net income before depreciation. The FY 96 NIBD amounted to \$96.5M, an astounding 76 percent increase over FY 95. To clarify the causes of these significantly positive results, the major components of the Army operating funds, the headquarters' contribution and field operations are separately displayed. For FY 96, HQDA

Figure 1-4



revenue remained relatively stable at \$69.9M, versus \$68.9M in FY 95. Expenses/services decreased from \$47.7M in FY 95 to \$43.9M in FY 96, an 8 percent decline, primarily because the cost of MIS was capitalized by the field. All other costs remained relatively stable.

As of 30 September 1996, the Army's collective MWR operating cash to field current liabilities was 1.1:1. For the same period last year, the ratio was 1.7:1. This decline was the result of lower cash balances (-37 percent during FY 96) and a slight increase in current liabilities for the field. The relationship of the outstanding AMWRF loan to the Army Banking and Investment Fund with field Nonappropriated Fund Instrumentality cash was 48 percent as of 30 Sep 96. The MWR Board of Directors authorized this loan as one of the financing strategies for improving the MWR physical plant. The cash to debt ratio and loan balance percentage are the two critical indicators the BOD uses to monitor the financial health of the MWR operating funds. While 30 September 1996 data reflect a sound position, FY 97 and FY 98 will be the most critical periods, as the Army aggressively executes planned capital expenditures while maintaining solvent operations in an environment of scarce resources and changing structure. Detailed financial information, including the summarized balance sheet and summarized income and expense statement for Army MWR operating funds, is presented in section 4 of this report.

FINANCIAL OVERVIEW

FIELD OPERATING FUNDS

For FY 96, .S account and family program accounts were executed at \$168.7M and \$174.5M, or 106 and 110 percent of allocations, respectively. These amounts were \$3.3M more for the .S account and \$8.6M more for family program accounts than the actual execution for FY 95. Figure 1-3 shows the funding and execution by management decision execution package.

Total NAF revenue generated by field NAFIs decreased from \$843M in FY 95 to \$833.8M in FY 96 or a decrease of \$9.2M (figure 1-4); \$847M was budgeted. The significant declines occurred in sales (\$3.2M), Army Recreation Machine income (\$2.8M) and interest income (\$2.5M). An increase of \$5.2M was reported in other operating accounts such as service income, greens fees, and amusement machine income. Figure 1-5 depicts the changes in major components of non-operating revenue.

Figure 1-4 also reveals that NIBD was \$54.6M, \$21.1M more than in FY 95, and close to the \$59.1M budgeted. Adjusted for base realignment and closure write-offs, NIBD was \$64.1M for FY 96 versus \$44.8M for FY 95. In percentage terms, NIBD was 6.5 percent of total revenue

(7.7 percent adjusted for BRAC), versus 4.0 percent last year. The MWR Board of Directors' NIBD financial standard for FY 96 was 5 percent of total revenue, increasing gradually to 7 percent by FY 99. The Army, after BRAC adjustments, has achieved the FY 99 standard three years ahead of schedule.

Field NAFIs, with NIBD of \$54.6M, received a green/green rating on the Commanders' Mission Box by achieving NIBD in excess of 5 percent of revenue and a budget variance of less than 15 percent. The MACOMs achieving NIBD of 5 percent were AMC, EUSA, MEDCOM, MTMC, TRADOC, USAREUR, and USARPAC. Adjusted for BRAC, the Armywide net loss (after depreciation) for FY 96 was \$36.2M, versus \$49.9M net loss for FY 95, indicating progress toward long-term financial stability. The only MACOM recording positive net income after depreciation was EUSA.

Program profitability improved in all three categories:

- Category A programs reported a decrease in losses of \$4.5M, coupled with an increase in APF support of \$6.1M. These programs are making significant progress toward meeting the Army and DOD standard of using APF for 100 percent of authorized requirements. Gyms/physical fitness and sports programs showed the greatest loss improvement, although every Category A program showed improvement.

- Category B programs turned around a loss of \$6.8M in FY 95 to achieve a positive NIBD of \$1.1M in FY 96 (meeting the BOD standard). Child Development Services decreased the NAF subsidy by \$2.5M. Youth Services showed a \$2.3M improvement in the NAF subsidy, and the remaining Category B recreation programs increased profitability by 120 percent, going from a \$2.4M NIBD in FY 95 to a \$5.5M NIBD in FY 96.

- Category C programs increased their NIBD by \$24.2M, or 65.4 percent. The Armed Forces Recreation Centers were the largest contributor, with a \$10.2M increase in NIBD. Of this, \$7.4M is attributable to the opening of the new tower at the Hale Koa Hotel. Clubs, with a \$5.1M improvement, and golf programs, with a \$3.6M improvement, were the next two most improved programs.

The total cash to debt ratio as of 30 September 1996 was 2.0:1, giving field operating NAFIs a green rating for the solvency standard with a positive NIBD and a ratio of between 1.0:1 and 2.0:1. This compares to a 1.8:1 ratio as of 30 September 1995. The capital purchase and minor construction execution was \$58.4M, or 53.8 percent of the \$108.2 million budgeted, but

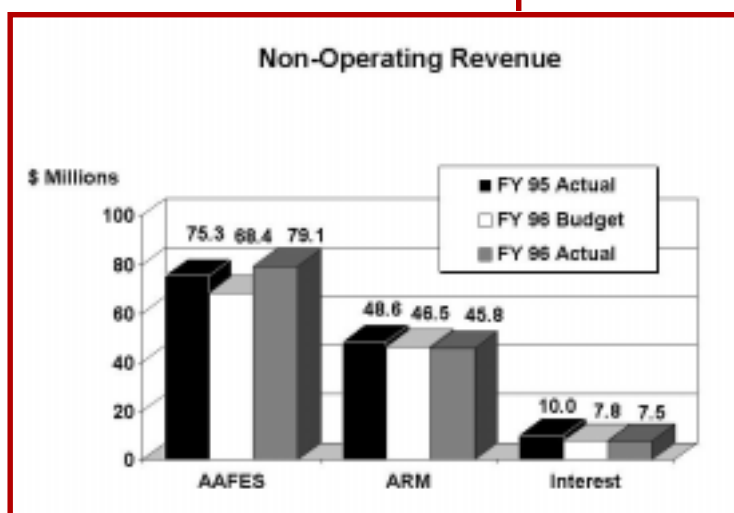
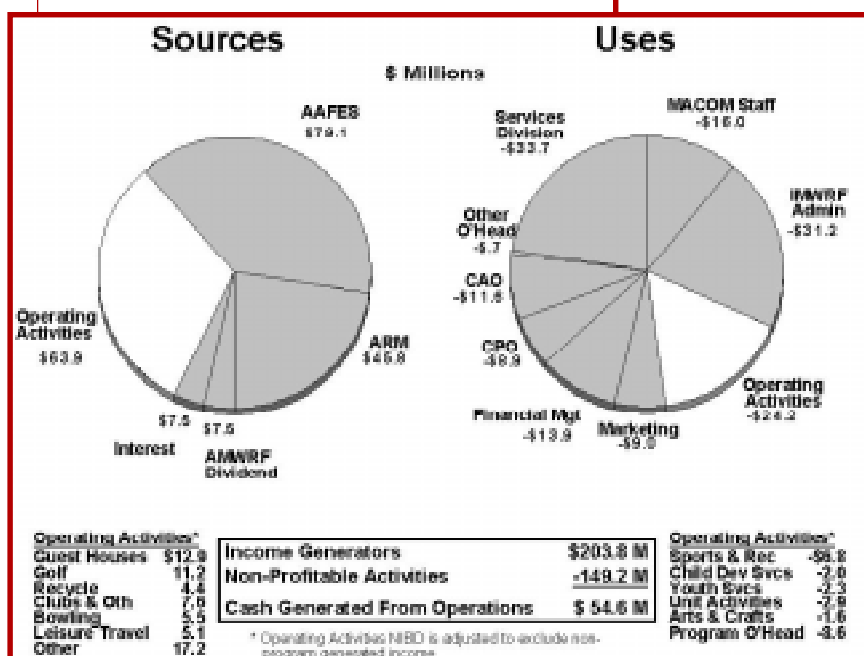


Figure 1-5

was 91 percent of the BRAC-adjusted NIBD. Although this rates amber for CPMC budget execution (less than 70 percent), it receives a green rating for complying with the newly implemented MWR Board of Directors' limitation on CPMC execution (not to exceed actual NIBD, measured at the MACOM level).

Figure 1-6 illustrates which activities generated and consumed NAF NIBD during FY 96. The left side of the chart also reveals that 68.6 percent of the NIBD was generated from external sources. This is down significantly from FY 95, when 78.5 percent of NIBD came from external sources. The right side of the chart reflects that 89.5 percent of the costs consuming NIBD were from non-direct program services or overhead. This is a significant increase from FY 95, where \$119M, or 75.4 percent, was consumed by overhead.

Figure 1-6



PROGRAM INITIATIVES

BUSINESS PROGRAMS

In FY 96, business programs (clubs, bowling, golf and guest houses) contributed \$38.5M NIBD (figure 1-7) to MWR worldwide, an increase of \$14.3M over comparable FY 95 figures.

The first two theme restaurant concepts opened during the year. Primo's Italian Restaurant and Primo's Express opened at Forts Hood and Drum, respectively. These pilots are very successful, turning a profit each month and paving

Army MWR serves over 305,000 family units.

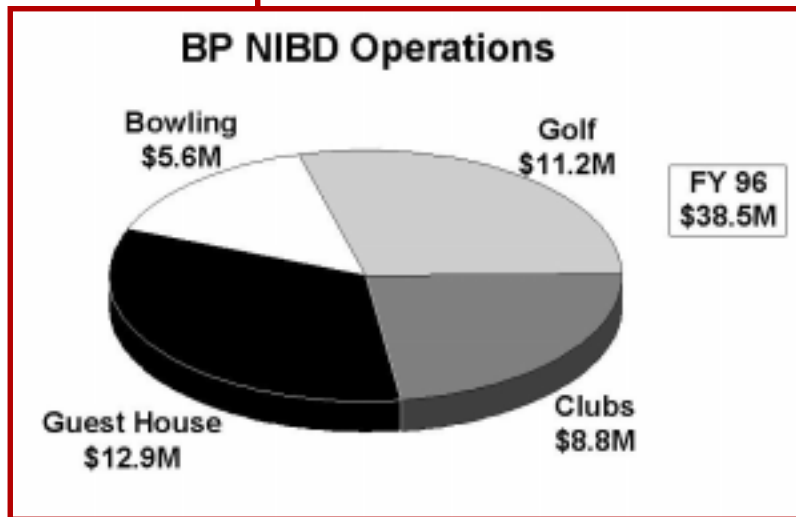


Figure 1-7

the way for more openings. Currently, five additional restaurants are scheduled to open in FY 97.

The new Prime Vendor contract, awarded in August, produced projected cost savings of \$1.3M annually and reduced overhead costs as well. Improvements in the new contract include: 100 percent price verification to ensure contractor compliance, larger food manufacturer allowances, increased electronic ordering, greater range of products, and increased availability of U.S. food products overseas. Program benefits continue to increase food quality while lowering product costs.

CFSC also published *Golf Benchmarks* to aid commanders and program managers in setting goals and objectives and measuring golf program performance. The benchmarks are based on National Golf Foundation municipal course statistics, other military services' results, and Army historical results.

FAMILY PROGRAMS

Program managers continued their efforts to refine and adjust family programs to the evolving needs of the current force and to support leadership visions for the next century. Significant accomplishments include:

- ♦ CFSC hosted the Army Family Action Plan Planning Conference in October 1995. Representing all elements of America's Army, 135 delegates reviewed new issues raised to Department of the Army level. From these, delegates briefed 26 new issues to the Vice Chief of Staff, Army. The top concerns were Persian Gulf illness and health care benefits for retirees.

- ♦ CFSC conducted Operation READY familiarization training for over 300 ACS staff, family support group leaders, and rear detachment commanders. Operation READY helps prepare soldiers and families for deployment, homecoming, and reunion. Operation READY was also the basis for the first ever "ACS Directors' Training Exercise Without Troops." This exercise used realistic deployment scenarios to prepare ACS directors to solve problems they might face in a real deployment. CFSC expects to continue this training in FY 97.

- ♦ Army Family Team Building program continued to expand the network of master trainers and instructors charged with promoting a more self-reliant lifestyle in all components of the Army. To date, staff and volunteers have trained a total of 1,642 master trainers and 1,800 instructors who will carry AFTB concepts back to their home stations. FY 96 also saw the development of a new curriculum for senior spouses. In addition, TRADOC neared completion of updated official school teaching materials to reflect current Army doctrine.

- ♦ CDS staff conducted a second Armywide review of hourly care demands and found that over 97 percent of the need was met with few "turnaways." In early FY 97, CFSC will host a process action team to develop strategies to improve availability of hourly care.

- ♦ Guidelines for holiday celebrations, based on core values, were developed and distributed with supporting materials for the installation implementation.

- ♦ CFSC conducted the seventh annual Teen Discovery at the 4-H Center and NASA Space Camp, Huntsville, AL. Seventy-seven youth delegates and 77 MACOM and installation Youth Services staff from 72 installations focused on developing leadership and teamwork skills, Armywide teen issues, and teen program ownership. Teens identified their top issues as shown below.

1996 Teen Discovery Issues

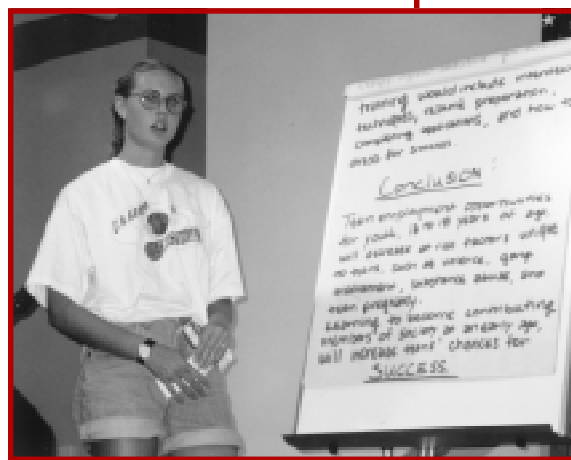
- Separating teen space from school-age children in MWR facilities.
- Lack of teen jobs and workforce preparation skills.
- Need to increase community support and involvement in teen programs.
- Inadequate resources for teen programs.
- Need to improve relationships between teens and staff.
- Program inequities and information gaps between CONUS and OCONUS.

♦ The first Army Teen Panel, comprising 11 teens nominated by installation and MACOM youth service staffs, convened with a goal to increase communication among teens and with Army leadership. During the first year, the Panel surveyed over 1,600 Army teens about youth violence and the lack of teen centers on installations; published a newsletter, *The Voice*; selected a logo and slogan; and made plans for a home page on the internet. The panel also briefed senior Army leadership on their findings and plans.

♦ During FY 96, installation youth staff initiated a variety of community partnerships with other MWR activities, schools, Boys and Girls Clubs, and 4-H to increase low-cost opportunities for programs and services. New computer labs and homework centers allowed youth to explore and expand horizons. Through a partnership with the U.S. Department of Agriculture, hundreds of installation youth staff learned about adolescent growth and development and received technical assistance to implement new programs.

♦ ACS is in the second full year of implementation of the Unit Service Strategy. Results indicate that unit leaders overwhelmingly endorse the new strategy and the improved support they receive from their unit service coordinators. Based on this interaction, unit leader referrals of soldiers to ACS increased. Recent surveys reveal that customer satisfaction remains high; to continue this success, commanders, MWR leaders, and key ACS staff must be fully committed to adopting the USS as the "way we do business."

♦ Electronic mail connections among all ACS Centers were established. In addition, ACS established a homepage on the internet. This page has a wide variety of information useful to ACS Centers, such as bulletin boards for sharing information and links to other internet sites. Plans



for the future include "posting" the ACS annual report and the Family Advocacy, Relocation Assistance and Exceptional Family Member Program reports on the internet, available for down loading.

♦ The latest information on child abuse shows a continued decline in reports of abuse and neglect from 8,263 to 7,500. Spouse abuse reports for the first time showed a slight decline in FY 96, from 10,141 to 9,409 reports.

♦ Army Community Service became the Army's proponent for the Transitional Compensation entitlement. This entitlement provides temporary payments to families of soldiers discharged administratively or by court martial for family member abuse. During FY 96, ACS received 77 TC applications, of which 56 were approved. TC payments totaled \$738,361.

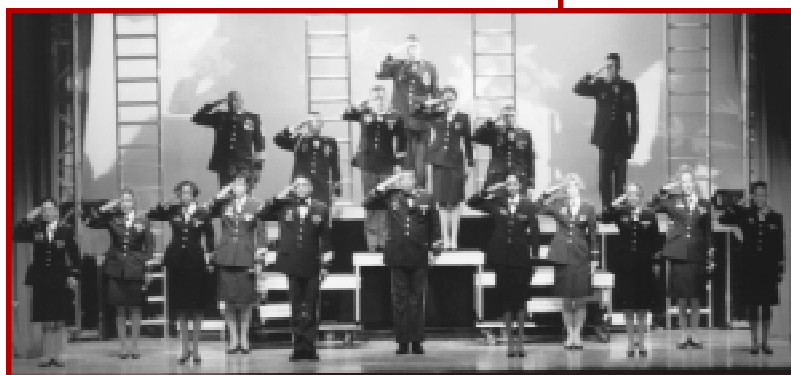
RECREATION PROGRAMS

Recreation programs underwent many changes in FY 96 to meet the needs of America's Army for the 21st century, including a test of new delivery systems, improved program-specific training, and increased support for deployed soldiers. Significant accomplishments for the year include:

The "report out" at Teen Discovery.

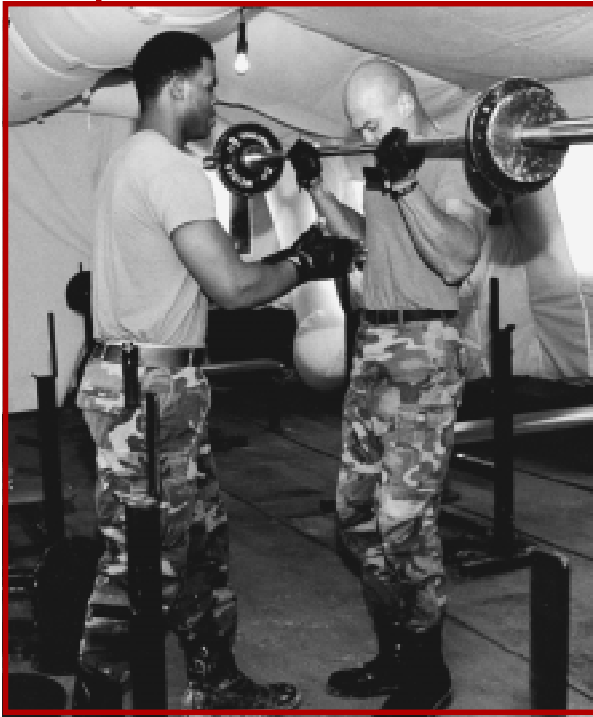
"And they were a-singing! And they were a-dancing! And those caissons were rocking and rolling along!"

- Washington Post, on the 1996 U.S. Army Soldier Show



"Salute" from the 1996 Army Soldier Show

Keeping fit during OJE.



Once you've been there, you know... MWR is the center of life for soldiers in Bosnia for everything outside of the mission.

*- George Gallagher
Director, Strategic Planning,
CFSC, deployed for 60 days
to OJE*

- ♦ The U.S. Army Soldier Show, with a cast and crew of 28 active duty soldiers, performed for 100,000 soldiers and family members. The Soldier Show toured over 50 installations, entertained troops in Tazsar, Hungary, and provided entertainment for the 1996 Olympic athletes in Atlanta's Olympic Village. The USA Express, a soldier show band, toured Europe and the Middle East over the holiday season, culminating their tour with a live New Year's Eve broadcast from Kuwait. The Army Concert Series brought headline entertainment to the troops at 11 CONUS installations. The Army Music and



Temper tents serve as comfortable recreation areas during OJE.

Theater program also set attendance records by entertaining more troops worldwide in this year than in the entire past decade.

- ♦ A one-year test of the new Recreation Delivery System began at Fort Knox, KY, Fort Myer, VA, and Yongsan, Korea. Each installation developed a strategic plan to meet the key tenets of the new delivery system. Because of a late start at two installations, the MWR Working Group approved extension of the test until 30 June 1997 to give the installations at least one full year to test the concept.
- ♦ USAREUR support of *Operation Joint Endeavor* with civilian recreation specialists provided further experience on implementing mobilization doctrine. Fifty-four recreation professionals were deployed into Hungary and Bosnia, for tours of three to twelve months, to provide soldiers with a variety of fitness, recreation and leisure-time programs or activities.
- ♦ The Army Library program supported the troops serving in *Operation Joint Endeavor* in Bosnia/Herzegovina by sending 81,000 paperback books. These books provided yet another positive alternative to fill leisure time. Additionally, the Army Library program supported installation libraries by a central purchase of \$1.2M of reference material, including several CD ROM databases supporting literature, news, and full-text journal searches.
- ♦ CFSC hosted the first integrated recreation programmers' workshop in conjunction with the Garrison Commander/Deputy for Personnel and Community Activities MWR Conference in Orlando, Florida. This workshop, attended by over 100 recreation professionals from the major MWR disciplines, emphasized "out of the box" recreation programming to meet the challenge of the military market.
- ♦ The Army Automotive Skills program provided hands-on technical training to more staff and at less cost than ever before. A contracted instructor delivered the hands-on Automotive Technical Trainer Travels in 30 sessions at 15 CONUS installations for more than 135 employees.
- ♦ The Better Opportunities for Single Soldiers program began development of a program circular. Field representatives, ranging from unit commanders to MACOM Command Sergeants Major to installation BOSS presidents, created a base-line document to define the philosophy and history of the program, outline responsibilities, and provide program information. This document is currently being staffed and will be published as an Army circular in FY 97.

♦ All-Army sports teams had an outstanding year, winning 10 of the 15 contested armed forces championships. SSG Derrick Waldroup, wrestling, and SGT Theresa DeWitt, shooting, both from Fort Benning, were selected as the Army's and Armed Forces male and female athletes of the year.

♦ During the 1996 Olympiad, 56 World Class Athletes qualified for U.S. Olympic team trials, and 11 of these soldier athletes earned spaces on the U.S. Olympic Team. While none of the World Class Athletes captured Olympic medals, they did capture 123 medals at Armed Forces, national, and international competitions and won Armed Forces Championships in boxing, wrestling, and taekwondo.

HOSPITALITY DIRECTORATE

Facility openings, renovations, and reorganization were but a few of the challenges faced successfully by the Hospitality Directorate during FY 96. Both the Armed Forces Recreation Centers and the Army Recreation Machine Program adjusted their operations to meet the changing environment without losing sight of their key success factors of customer service, value-oriented programs and services, and quality facilities and equipment. Significant accomplishments were:

♦ With the November 1995 grand opening of the Maile Tower, the largest single NAF construction project in history, the Hale Koa Hotel guestroom count increased to 815. Even after completion of the second tower, the occupancy rate was 95 percent for FY 96. The HKH generated NIBD of \$7.9M on revenues of \$42.9M in FY 96.

♦ Dragon Hill Lodge celebrated its sixth successful year of operation. Completed improvement projects during the year included doubling the parking area, enclosing the pool for the fitness center, and expanding and upgrading the retail shops. Plans are underway to add an additional 104 guestrooms. Occupancy rates exceeded 98 percent, and the hotel generated NIBD of \$4M on total revenues of \$23.6M.

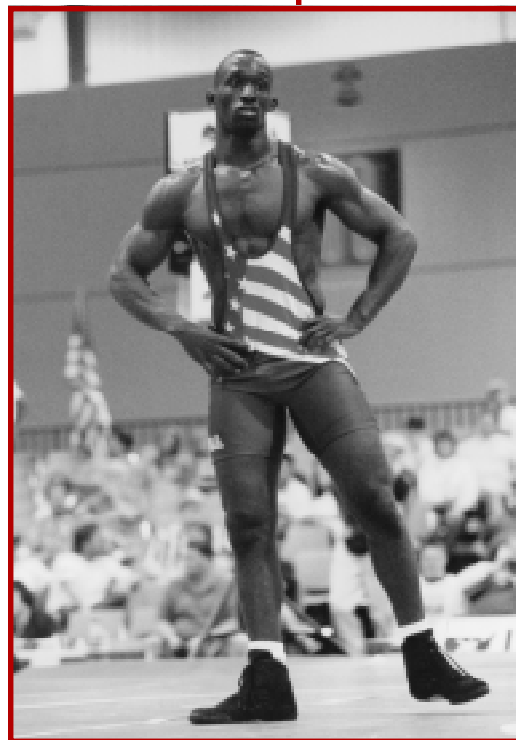
♦ Occupancy at Shades of Green for FY 96 closed at 96 percent. Total unmet demand for accommodations equates to an additional 70 percent of the available rooms. After paying rent of \$989,000 in FY 96, SOG generated NIBD of \$1.4M on total revenue of \$12.9M. The Army expects to purchase the hotel in early FY 97.

♦ The Army returned the Armed Force Recreation Center - Europe Berchtesgaden properties to the host nation in June 1996. Soldiers returning from tours of duty with *Operation Joint Endeavor* participated in rest and recuperation opportunities as part of AFRC-Europe's *Serious*

Fun and Welcome Back promotions. AFRC-E incurred a NLBD of \$948,710 on total revenue of \$14.6M. This loss is attributable to costs associated with closure and transfer of Berchtesgaden, resumption of operations at Chiemsee and reduced customer base during deployments for OJE.

♦ The ARMP installed 600 new multi-game touchscreen machines in overseas locations. Multi-game touchscreens incorporate a videoscreen with a touch-surface interface and multiple, player-selected games for wagering. This new equipment and other revenue enhancing initiatives allowed ARMP to mitigate the effect of the drawdown in Europe and generate \$115.7M in revenue during FY 96.

♦ Continued expansion of the ARMP amusement machine operations resulted in new MWR and Army and Air Force Exchange Service amusement machine business opportunities. Amusement machine operations in CONUS generated revenues exceeding \$3.5M, and overseas locations added an additional \$2.0M in revenue.



"In order to stay a world class wrestler, I have to be a world class soldier"

- Staff Sergeant Derrick Waldroup, 1996 Armed Forces Male Athlete of the Year



"It's a constant challenge to always set goals for yourself and always push yourself."

- Sergeant Theresa DeWitt, 1996 Armed Forces Female Athlete of the Year

During FY 96, the Construction Directorate managed 41 construction projects valued at \$165M.

In FY 96, the NAF Contracting Directorate saved \$20M on purchases of \$117M through consolidated contracts.

In FY 96, Army Commercial Sponsorship generated cash, goods, and services valued at \$7M.

SUPPORT SERVICES INITIATIVES

ASSET MANAGEMENT/PRIVATIZATION

This office was established in November 1995 to augment the traditional NAF construction program through public-private ventures. Asset management offers installation commanders the opportunity to leverage the value of installation real estate through privatization for development of needed services without NAF capital expenditure.

The PPV concept requires a private company or developer to design, construct, operate, and maintain a facility on an Army installation. In exchange for use of the government property and access to the MWR patron base, the private entity is required to provide an equitable return to the installations' MWR fund.

During FY 96, the Asset Management Office received 27 requests for project privatization. Currently the office is pursuing 25 projects, with an estimated total cost of \$154M, through development of:

- ♦ An Army policy and standardized delivery process.
- ♦ Strategic alliances with other federal agencies who have similar programs.
- ♦ Partnerships with appropriate industry contacts, national trade associations and financial institutions.
- ♦ A data base for industry benchmarking and best practices.
- ♦ Alliances with other services to share expertise.

CONSTRUCTION

Congress approved the FY 97 NAF construction program as submitted. The construction directorate staff worked closely with installations, MACOMs, the Army Secretariat, and the Office of the Secretary of Defense to ensure the accuracy and completeness of construction information. Other FY 96 highlights include:

- ♦ FY 97 NAF major construction projects totaling \$44.4M were approved. The overall construction program is a combination of Army central funding (\$37.4M) and installation self-funding (\$7.0M).
- ♦ CFSC's designers continue to develop sports theme entertainment facilities. In addition to CPMC renovation projects, CFSC completed design development of the Army-branded theme-food concepts and image and decor manuals for

Strike Zone (bowling snack-bar theme) and Mulligan's (golf snack-bar theme). The designers also assisted individual installations in the development of unique concepts, such as the Longhorn Saloon at Fort Hood and the Winner's Circle at Fort Drum.

- ♦ During FY 96, CFSC completed 16 NAF MWR major construction projects valued at \$47M. As part of the Army's joint-service initiatives, CFSC signed a memorandum of agreement with the Navy to support their NAF construction requirements on a cost-reimbursable basis, using CFSC's design/build process. CFSC accepted five Navy projects for execution in FY 97.

CONTRACTING

The Contracting Directorate continued to streamline the NAF acquisition process and implement procurement approaches to improve quality, timeliness, and responsiveness. The contracting workload in support of installations increased significantly to a total of \$79.7M during FY 96. A recap of some of significant actions follows:

- ♦ Awarded ten NAF major construction contracts valued at \$57.7M and six CPMC contracts valued at \$1.5M. Construction contracts awarded were for community activity centers, guest houses, youth centers, recreational vehicle parks, golf courses, and recreation areas. CPMC contracts awarded were for club renovation or design and swimming pool enclosures.
- ♦ Extended six regional indefinite delivery contracts for architect/engineer services for use by the Marine Corps and Navy as well as Army installations.
- ♦ Awarded the contract for a standard automated NAF contracting system. The software will be fielded Armywide once testing is complete at CONUS and OCONUS installations. This system will automate all procurements from purchase request through award and closeout.
- ♦ Awarded a contract for consolidated procurement of bed and bath linens. The contract contains over 100 items with expected purchases of \$5M per year. Use of this contract will save MWR and Army Lodging an estimated \$500,000 per year. This contract is mandatory for use by Army Lodging and AFRCs.
- ♦ Awarded the second generation Joint Prime Vendor contract for food and food-related items. The contract serves the Army, Navy, Marine Corps, and Naval Exchange Command. The projected value of annual purchases is \$62M.

- ◆ Conducted the first annual Purchase Review Board attended by all MACOMs. The board identified over 20 supplies for inclusion under the Army and joint-service standardized and consolidated acquisition program.

- ◆ Continued the rewrite of AR 215-4, NAF Contracting Regulation. In October 1995, the CFSC entered into a joint venture with the Navy to make the regulation an Army/Navy NAF Contracting regulation.

COMMERCIAL SPONSORSHIP AND ADVERTISING

Commercial sponsorship entered its sixth year of operation. Last year installation and DA programs generated cash, goods, and services valued at \$12.7M. In its first year, commercial advertising proved to be a tremendous success at the installation and DA levels. At Army level, examples of successful commercial sponsorship and advertising initiatives include:

- ◆ The "Dog Days of Summer" Tour, sponsored by Miller Brewing Company, AT&T, Brown Foreman, VISA and local media companies. This program, featuring top country, classic rock, top 40, and alternative rock music performers at 11 installations, entertained more than 50,000 soldiers and families. This program will continue in FY 97.

- ◆ For the first time, the Veterans of Foreign Wars partially sponsored the Army Soldier Show. Additionally, advertising sold for the show's program subsidized much of the operating costs.

HUMAN RESOURCES

In FY 96, the Human Resources Directorate continued to recruit, place, train, and maintain the Career Field 51 (MWR) workforce. Significant achievements include:

- ◆ The Career Development Office recruited eight additional trainees for the NAF Management Trainee program. In addition, they placed four permanent employees in the Training with Industry, Job Swap, and the Developmental Assignments programs. All these programs are professional development opportunities for the workforce envisioned under the Army Civilian Training, Education, and Development System plan fielded in FY 95.

- ◆ The MWR Staffing and Referral Office assisted commanders in filling key MWR positions by issuing 461 referral lists (272 NAF and 189 APF). Average processing time for issuance of these lists was 1.6 days.

- ◆ The CFS Training Center trained 878 students in residence courses. Further, the Center assumed a principal role in the development and delivery of courses to other Services or in a "DOD Joint-Service" format. Training center staff finished FY 96 by organizing and producing the highly successful Garrison Commander/DPCA MWR Conference in Orlando, FL, attended by over 850 participants.

- ◆ The MWR Benefits Office initiated many improvements to the employee benefits programs. The Preferred Provider Option to the Medical Plan now offers a 65 percent employer funding of the premium and a new prescription drug card program. Optional life insurance coverage to \$500,000 is now available. To better educate the workforce, CFSC developed and distributed a benefits desk reference and informational video to all Civilian Personnel Offices.

INFORMATION MANAGEMENT

The Information Management Office completed the second full year of implementing an Armywide MWR Management Information System. Accomplishments included:

- ◆ Enhancing the Time Labor Management System to provide electronic signature and to bring locations to full electronic transfer of data. By the end of FY 96, 81 percent of payroll accounts worldwide were performing total electronic transfer of data to the Defense Finance and Accounting Service Central NAF Payroll Office at Red River Army Depot, Texas. The cost of processing a payroll check dropped from \$2.15 to \$1.55.

- ◆ Fielding the Financial Management and Budget System to all installations, except those in USAREUR. Development began on version 2.0 of FMBS. This Windows version includes numerous enhancements and user-friendly tools. This system provides the annual NAF budget development tool for installations. Over 200 users were trained in FY 96.

- ◆ Fielding the Recreational Tracking System (Rectrac!) to 26 locations worldwide. This system provides facility and activity reservation and registration, league and tournament manage-



"The average American soldier now spends 138 days a year away from home. I emphasize this point because I know we ask an awful lot of our soldiers and their families. If we want to retain these fine men and women, we must take care of them."

*- Gen. Dennis J. Reimer
Chief of Staff, Army*

ment, and a point-of-sale system for rentals and snackbars. Over 900 users were trained in FY 96.

- ♦ Fielding the Golf Tracking System (Golfrac!) to 32 locations worldwide. This system provides golf course program management and a point-of-sale system for fees and retail operations. Over 250 users were trained in FY 96.
- ♦ Sustaining the Child Development Services Automated Management System (CDSAMS) version 2.4 while developing version 3.0. Version 3.0 is scheduled for release in Spring, 1997.
- ♦ Fielding the Standard Management Information Reports for Finance (SMIRF) to MACOMs in FY 96. Development continues on a Windows version for release in FY 97.

MARKETING

An internal CFSC reorganization established Marketing as a stand-alone office serving directly under the Deputy Commander (Programs) to better support MACOM, installation, and CFSC program directors with full-service marketing.

The Marketing Office took the lead to develop and publish the *MWR Strategic Business Planning Guidebook* and its accompanying handbook. Published in March 1996, these manuals provide MWR planning teams with an easy-to-follow roadmap to develop their 5-year plans and supporting activity business plans.

An Armywide data base of Leisure Needs Survey results is available for the first time, from which CFSC issued consolidated Army and MACOM reports. More than 1,600 data elements are available from 88,885 individuals who responded (31 percent of those surveyed), representing 86 installations and four categories of authorized MWR patrons: active duty, active duty spouses, DOD civilians and retirees. At

some installations, reserve component and contractor personnel were also included. As directed by AR 215-1, re-survey of the entire Army began, with results expected in an electronic book format by the second quarter FY 97.

More than 80 Army marketing personnel attended training conducted in conjunction with the Garrison Commander/DPCA Conference in Orlando, FL. The training featured sessions on market planning, measuring marketing effectiveness, frontline manager issues and concerns, market research, and other topics.

Marketing sponsored CFSC and Army MWR entry into the World Wide Web. The Army MWR Home Page (<http://www.armymwr.com>) consists of more than 900 separate addresses containing over 250 graphic images and animated advertisements of MWR programs. The in-depth information is timely and contains valuable data of interest to MWR employees and patrons alike. Links are provided to installation and MACOM web sites.

PLANS AND POLICY DIRECTORATE

The Plans and Policy Directorate continued efforts to obtain financial support for MWR on base realignment and closure installations, advance research on the MWR program, update DOD and Army policy, and manage the MWR Strategic Action Plan.

In support of BRAC efforts, CFSC consolidated and submitted estimates in excess of \$ 5.0M for BRAC-related NAF expenses through FY 01 for not only MWR but billeting, post restaurant and civilian welfare funds. As a result of this initial action, NAFIs recouped more than \$2M in personnel severance pay and relocation expenses as of 30 September 1996.

"...MWR [is] critical to mission readiness and productivity because such programs and activities contribute to physical fitness, esprit de corps, and recruitment and retention of personnel."

*- Ms. Carolyn Becraft
Deputy Assistant Secretary
of Defense
for Personnel Support,
Families,
and Education*



OSD and the military services initiated action to determine the undepreciated value of all NAF construction and improvements on BRAC installations in an effort to recover the value of those investments for future use in support of MWR. NAF investments in real property are estimated at \$105.5M. Even with CFSC's continued advocacy, none of these costs has been recovered to date.

The Army collected additional CFSC-sponsored research documenting the impact of MWR programs on readiness and quality of life, as shown by the following results:

- ◆ Final results of the Survey of Army Families III (FY 95) revealed that spouses are satisfied with Army life, recognize the command support for their families, and support their spouses in continuation of the Army as a career. To facilitate and maximize use of the findings, ARSTAF and installation commanders received a 54-page executive summary of findings. DPCAs received diskette versions of the *Executive Summary* as well as the comprehensive three-hundred page *SAF III Final Summary*.

- ◆ The Executive Summary of the study on *MWR Programs and Readiness Links* was provided to the MACOMs and installations. The summary contains specifics from existing research showing that all MWR programs contribute positively to soldiers performing their jobs.

- ◆ Preliminary findings from a study conducted for CFSC by the Walter Reed Army Institute of Research indicate that burnout is not currently a serious problem for most Army volunteers. The final report will be available in FY 97.

DOD Instruction 1015.10 on MWR programs, published in November 1995, addresses policy on NAF property impacted by BRAC, updates APF funding for various elements of expense related to MWR programs, outlines remote-site designation requirements, implements DOD patronage policy, and prescribes APF funding standards for category A and B MWR activities.

Department of Defense granted two major policy changes during FY 96. First, DOD granted Army a waiver to allow MWR civilian employees to purchase merchandise and services from MWR activities. Previously MWR employees could purchase only those items incidental to program participation. Second, they granted a waiver allowing installation commanders to grant access to category C MWR activities to the general public under certain conditions.

FY 96 marked the second year of implementing the Army MWR Strategic Vision and the MWR Strategic Action Plan. At the annual report of status to the MWR Working Group and the Executive Committee, CFSC reported completion of five objectives, the Hospitality Directorate an-

nex, and 107 of the 196 actions in the plan. At the same meeting the MWR Working Group updated the plan for FY 97 and beyond. The revised plan will be published and distributed to the field in early FY 97. CFSC staff continued to assist MACOM, installation, and other CFSC directorates with the development of supporting action plans. Efforts also included support for the new recreation delivery system, development of Better Opportunities for Single Soldiers Circular, and facilitation for the Recreation Steering Committee.

PUBLIC AFFAIRS OFFICE

An internal reorganization within CFSC established public affairs as a stand-alone office reporting to the Deputy Commander (Operations), with a staff of three and a three-pronged mission of command information, public communication, and community relations. Holding true to their mission the PAO staff promoted MWR in all media. Achievements for the year included:

- ◆ Delivery of six issues (30,000 copies) of *Feedback*, the Army's 24-page MWR news magazine. In April, *Feedback* became available to readers via the World Wide Web on the Army's homepage.

- ◆ Delivery of more than 100 radio and 30 television stories that aired on SRTV (including *Washington Report*, a 28-minute on-camera interview with Brig. Gen. John G. Meyer, Jr.) and more than 50 media releases on various MWR subjects.

- ◆ Submissions to the Army/Air Force Hometown News Program resulted in more than 100 releases showcasing soldier accomplishments in sports and entertainment in the civilian print media nationwide.

- ◆ Support for soldiers participating in the 1996 Summer Olympics with print and broadcast coverage, including 15 stories about Army World Class Athletes published in 15 consecutive issues of *Army Times*.

- ◆ Support for the U.S. Army Soldier Show, arranging a media day at Fort Belvoir, developing press kits -- and ensuring their timely delivery to PAOs at performance sites/installations, and producing television and radio promotional spots. Success of these efforts was measured by the 20 percent increase in overall attendance and unprecedented coverage by national press, including favorable reviews on the front page of *The Washington Post* "Style" section and in *The Washington Times*.

- ◆ Design and staffing of MWR exhibits for Public Service Recognition Week in May (2,800 visitors) and the American Logistics Association MWR Expo in August (1,300 visitors).

"I want to compliment and congratulate the U.S. Army for this tremendous contribution to the quality of life for our men and women in uniform...taking care of our people in uniform and their families is one of the top priorities in the Defense Department."

*- Fredrick Pang,
Assistant Secretary of
Defense for Force
Management and Personnel
Policy, at the dedication of
the
Hale Koa's Maile tower*

Strategies for the Future: FY 97 and Beyond

BUSINESS PROGRAMS

Focus will continue on opening theme restaurants that meet installation needs. At least five new restaurants will open in FY 97. At the same time, CFSC will develop a plan to support multiple restaurant openings and operations while holding costs and expenditures to a minimum.

The Community and Family Support Center will continue to develop benchmarks for all business programs. Golf and bowling benchmarks are in the field for use by commanders and program managers. Benchmarks for food and beverage activities will follow in late FY 97. These benchmarks are not standards but goals that can be raised (or lowered) depending on local conditions.

Achieving positive net income before depreciation continues to be a challenge in MWR food programs. The EXCOM approved the establishment of a food standard beginning in FY 98. The standard will be set by the BOD and adjusted through the benchmarking process as appropriate.

The Fort Ord golf courses will be sold to the City of Seaside. This will be the first sale of NAF property, with projected proceeds of \$10.7M accruing to the NAFL. The revenue from the sale will be used to support the MWR programs at the Presidio of Monterey.

Several telephone service initiatives will come to fruition in FY 97. The MCI prepaid telephone calling card will become available, offering a good value for soldiers and a business opportunity for IMWRFs. Barracks telephone service also offers competitive rates with projected earnings to IMWRFs of approximately \$7M in FY 97. AAFES cellular telephone service will expand, with projected IMWRF earnings of \$700K.

Professional training and development of MWR catering personnel will be a primary focus during FY 97. A catering workshop will be conducted in mid-year 1997 in coordination with the University of Nevada, Las Vegas, and the National Association of Catering Executives. Topics will include marketing, enhanced food presentation, and achieving total guest satisfaction. Maintaining the focus on professional

development, Army bingo managers will have the opportunity to participate in one of three Joint Services Bingo seminars scheduled for FY 97. The seminars will familiarize managers with effective marketing techniques and introduce them to new equipment.

FAMILY PROGRAMS

The FY 97 Army Family Action Plan planning conference will be held in Mar 97. Following this meeting, the conference will be scheduled on a biennial cycle. Installations and MACOMs will continue to surface issues to the DA level during non-conference years where they will be reviewed for inclusion in the plan by a blue ribbon panel of ARSTAF representatives. The chief of staff Army expects that installations and MACOMs will continue to hold their respective symposia/conferences on an annual basis.

School-age services will serve as a bridge between child development and youth programs and provide services for an additional 5,000 children Armywide. During FY 97, Child & Youth Services staff will convene a task force on hourly child care. Their mission will be to define and standardize reservation practices and develop marketing materials illustrating the availability of hourly care options.

During FY 97, Child and Youth Services staff will focus on teen programs, with 54 installations piloting the U.S. Department of Agriculture—U.S. Army School-Age and Teen Project to provide positive youth development programs. These new programs will decrease at-risk behaviors and increase teen participation in youth programs.

Army Community Service staff will implement a performance-based management system that will allow for allocation of resources based on defensible, quantitative data linking services to desired Army outcomes. This new method to measure performance will provide commanders with data that weigh program costs against benefits gained. Inherent in the new system is development of program performance outcomes, critical success factors, and program costing. Pilot testing of the new system is expected in late FY 97 or early FY 98.

The Deputy Assistant Secretary for Department of Defense (Personnel, Support, Families and Education) will conduct a survey of E-5 and below spouses to determine their employment needs and to improve service delivery to this target population. DOD is also developing a partnership with the Small Business Administration to provide training to military spouses through the SBA Women's Business Demonstration Program. This partnership will focus on portable businesses for military spouses.

In FY 96, Child Care served 177,648 children.



There are 175 child development centers, of which 82% are accredited and 97% are certified.

The Family Advocacy Program will continue emphasis on prevention, expand the New Parent Support Program, and integrate program evaluation with outcome measures during FY 97. Additionally, FAP will move forward on automation initiatives and strengthen installation linkage through internet connectivity.

RECREATION PROGRAMS

During FY 97, the new recreation delivery system test will be completed. Department of the Army staff and the MWR Working Group will review results, and if successful, develop an action plan to implement Armywide. A contractor prepared desk-side reference will be available to assist installations with implementation.

The Better Opportunities for Single Soldiers program staff is preparing a “how to” desk reference to assist BOSS representatives with day-to-day operation of the program. Another BOSS project is the production of training videos to target each component of the program—quality of life, recreation, and community service.

CFSC will serve on a DOD task force with a mission to improve physical fitness activity opportunities and set executive direction for establishing the DOD as the nation’s leader in meeting or exceeding national goals. Operation *Be Fit*, sponsored by DOD will focus on fitness activities versus fitness assessment, incorporate DOD civilians into the program, and develop standards for program execution.

The MWR Working Group recognized the need for a quality-integrated MWR library system and initiated action to outline the specifications of the system. These specifications will assist installations in purchasing systems that provide base-line automation and interconnection among all Army libraries.

The World Class Athlete Program will move its headquarters to Fort Carson, CO. Soldiers on the wrestling, boxing, and taekwondo teams will be stationed there, allowing for optimal training at both Fort Carson and the Olympic Training Center in Colorado Springs. The remainder of the WCAP athletes will be assigned to Fort Carson and attached to other installations closer to their sport-specific training site. Twelve soldier athletes continue to train for the 1998 Winter Olympics, which will be held in Nagano, Japan. Eight of them are training with the U.S. National Biathlon Team, and four are training with the U.S. National Bobsled Team. Applications for the 2000 Olympic Games will be accepted in April 1997 with the first soldiers arriving in June.

HOSPITALITY DIRECTORATE

The U.S. Senate approval letter for FY 97 NAF construction approved the proposal to expand the Dragon Hill Lodge by an additional 104 rooms in FY 99. Funding for the \$16.9M project will be provided by the Eighth U.S. Army Morale, Welfare, and Recreation Fund, Dragon Hill Lodge, and the AMWRF.

In order to sustain the demand for guestrooms, a cosmetic upgrade of the Hale Koa Hotel’s Ilima Tower guestrooms is planned to begin in the spring of 1997. A major renovation of the 22-year old Ilima Tower infrastructure will begin later in FY 97 at a cost of \$30M (funded in full with revenues generated from Armed Forces Recreation Center operations).



*Dragon Hill Lodge,
Yongsan, Korea*

The Army Recreation Machine Program will implement the latest gaming technology in FY 97. Capitalizing on touchscreen technology will increase per-machine revenue through greater appeal and less machine downtime, and thus mitigate the effect of a smaller customer base overseas.

SUPPORT SERVICES INITIATIVES

ASSET MANAGEMENT/ PRIVATIZATION OFFICE

Because there will be a continued shortage of NAF funding and a large requirement for installation construction, commanders will seek more public-private ventures as a means of obtaining needed MWR services for the soldiers and family members. Beginning in FY 97 the Asset Management/Privatization Office will offer support to the other Services for PPV projects. Memoranda of Agreement will be prepared with the other Services to execute MWR PPV projects.

CONSTRUCTION

Refinement of the design/build project delivery method will continue to provide MWR facilities “Better, Cheaper, and Faster” for soldiers and their families.

Supported by the Corps of Engineers, CFSC is pursuing a single District MWR construction support concept to ensure consistent, timely, and cost-effective MWR facility delivery Armywide. In concert with the Contracting Directorate, the Construction Directorate is also testing a seamless Design/Build acquisition process targeted to trim 120-180 days from project delivery schedules.

CONTRACTING

Regional Architect Engineer contracts will be expanded to Europe with an anticipated award date of Feb 97.

Under a recently signed MOA with the Bureau of Navy Personnel Morale, Welfare and Recreation Division, CFSC will be contracting for Navy NAF design and construction projects. The first design/build contract with the Navy will be for the Oceana Naval Air Station for a nine-hole addition to their golf course.

Teaming with the Construction and Business Programs Directorates, the Major Projects Division is contracting on behalf of the U.S. Marine Corps for a design/build project to construct a community club at Marine Corps Air Station, Yuma, AZ.

CFSC will host the second annual Purchase Review Board in Alexandria, VA, in June 1997. All MACOMs will be represented at the meeting. The board will review program effectiveness and identify supplies and services for inclusion under the Army and joint-service standardized and consolidated acquisition program.

HUMAN RESOURCES

The future quality of key MWR managers will depend on implementation of a Career Management Program for Career Field 51. An in-depth study of different career systems, conducted during 1996, developed the basic structure of a career management program for key MWR positions. Based on ACTEDS and the four core factors of performance, experience, training and mobility, the concept of referring and hiring the “right person for the right job” is the basis of ensuring professional management of MWR operations.

In FY 97, the Management Trainee, Job Swap, Developmental Assignments, and Training with Industry programs will continue. Likewise, cooperative efforts among the Services will continue in the training arena with the development and delivery of the DOD Joint Family Support Directors Course.

During 1996, CFSC designed and distributed a survey to installations to identify pay and benefit issues impacting the decision to resign from NAF employment. The output from this survey will be analyzed during FY 97 and announced to the field. We anticipate new initiatives to meet workforce concerns.

In the area of Employee Benefits, the FY 97 premium charges remained at FY 96 level through savings generated by the utilization of Preferred Provider Organizations. In FY 97, employees will be afforded increased opportunity to borrow against their 401(k) program savings. CFSC developed a prototype individual employee annual benefits statement during FY 96, which will be offered to all employees beginning in FY 97 and provide a summary of current health, retirement and 401(k) savings elections as well as estimated retirement benefits.

MARKETING

Fort Excellence, a World Wide Web training site sponsored by CFSC, will provide a state-of-the-art venue where garrison commanders may benchmark local programs and facilities.

PLANS AND POLICY DIRECTORATE

AR 215-1, NAF and MWR Activities, will be revised and published to implement new DOD policies (DOD Instruction 1015.10 published in Nov 95) and many exceptions to policy requested by installations and MACOMs and granted by the ACSIM.

Increased emphasis on MWR support for contingencies and mobilizations caused the Executive Committee to establish a standing work group to review Army doctrine and update the policy and guidelines. Objectives are to develop standards for deployable personnel, recommend incentives and training for employees, determine guidelines for deployable equipment and provide input to the MWR strategic plan. The first meeting for this group was held in January 1997.

Plans and Policy Directorate will field a comprehensive demographics database. Users will have access to the latest data in a graphical, Windows environment. Army Community Service is sponsoring development. Data will be available to all users needing demographics from the installation through HQDA.

Core Factors of ACTEDS:

- *Performance*
- *Experience*
- *Training*
- *Mobility*

A Quality Workforce: Trained and Ready

Maintaining a quality MWR workforce is directly related to the investment that leaders and managers are willing to make in training, professional development, and employee benefits. During FY 96, our diverse workforce continued to receive enhanced opportunities for training and professional development and improved benefits packages to meet their needs.

CAREER DEVELOPMENT PROGRAMS

THE NAF MANAGEMENT TRAINEE PROGRAM

Each year, this centrally funded program places up to 10 college graduates in a variety of MWR areas. During 1996, eight trainees were hired: three in club management, three in marketing, one in management information systems, and one in outdoor recreation. Installations selected as regional training sites included: Forts Belvoir, Carson, Hood, Lewis, Monroe, and Sam Houston; Yuma Proving Ground; and Headquarters, Army Materiel Command. CFSC placed six trainees from the FY 94 group in FY 96 and will place FY 95 trainees during 1997 as they complete OJT.

TRAINING WITH INDUSTRY (TWI) PROGRAM

FY 96 saw the successful use of the TWI program to enhance the skills of an APF installation program manager in augmenting the staff of the Atlanta Committee for the Olympic Games. The exposure of this individual to the logistics and methods used in managing high-level international sports competitions will pay dividends to both the installation and the MACOM as well as to the Army at large.

JOB SWAP AND DEVELOPMENTAL ASSIGNMENTS PROGRAM

The Job Swap pilot program, implemented in 1996, was initiated with an APF swap between White Sands Missile Range and Fort Lewis. Participants learned new skills in functionally related fields while at another activity. Likewise, a developmental assignment was initiated in FY 96 for an installation-level NAF employee to work for a six-month period at higher headquarters. These centrally funded programs will be offered to 2 APF and 2 NAF participants in FY 97.

THE MASTER TRAINING PROGRAM

The CFS Training Center conducted resident training for 878 students (from program-level personnel to the installation commander) as well as expanded its cooperative training ventures with the other Services. The Center assumed a principal role in the training of Marine Corps MWR managers with the Applied Financial Planning and Forecasting Course and delivered NAF Basic and Advanced Contracting Courses at Navy bases in CONUS, Europe, and the Far East. The Army has the lead to develop and deliver the new DOD Joint Family Support Directors Course.

The American Council on Education reviewed all Training Center courses and determined that students of resident courses could receive college credits for MWR training. These courses, to include those recently developed for Golf Superintendents, Recreation Program Managers and ACS Managers, all prepare the workforce to take on the challenges of delivering top-notch, customer-driven MWR programs to soldiers and their families.

NAF EMPLOYEE BENEFITS

In FY 96, the Army redesigned the NAF Health Benefits Program following a universal "preferred provider organization" service model. In the new program there are no claim forms required for services from "preferred providers"—physicians, hospitals, laboratories, and pharmacies. As a result, there is no need for plan members to make an "up front" payment to the physician or hospital and wait for reimbursement from the plan. The Army continued to enlarge the geographic area served by preferred provider networks to 95 percent of CONUS participants. An Army Morale, Welfare, and Recreation Fund subsidy made the program's coverage more affordable to employees and resulted in an increase in enrollment of nearly 25 percent.

The NAF Group Life Insurance Program introduced a "living benefit" to permit eligible terminally ill employees to draw on their life insurance benefits to maintain the quality of their last year of life.

The NAF Employee 401(k) Savings Plan added a participant loan program. Participants can borrow funds from their own accounts tax free, subject to Internal Revenue Service regulations.

The Army NAF Benefits Program began an effort to educate the workforce on the importance of protecting employee financial security. Key to this effort is a video, distributed to all civilian personnel officers to ensure a uniform message to all newly eligible employees. The themes introduced in the video were reemphasized during 1996 open season mailing.

"I depart with a true sense of pride and respect for the MWR workforce. You will always have my unwavering admiration. I will continue to champion your cause to the Army and the public at large."

*- BG John G. Meyer, Jr.
upon his departure from
CFSC command*

The CFSC Training Center trains almost 900 students a year through 27 courses

Financial Report: Army MWR

Army MWR corporate finances are the combined total performance from the field operating NAFIs, ARMP, and the AMWRF. Section 1 of this report shows how those elements, taken in the aggregate, performed comparing FY 95 to FY 96. In addition, Section 1 reviews field operating NAFI results for the same period. Below are the summarized balance sheet (figure 4-1) and the summarized statement of income and expense (figure 4-2) which support the analysis provided in the executive summary.

The remainder of this section addresses individual HQDA funds managed at CFSC.

Summarized Balance Sheet: Army MWR Operating Funds

	30-Sep FY 95	30-Sep FY 96	Change
Assets			
Current Assets			
Cash/Investments	\$239,112,690	\$241,702,615	\$2,589,925
Receivables	38,264,818	34,522,375	(3,742,443)
Inventories	33,608,047	33,466,186	(141,861)
Prepaid Items	12,653,317	23,407,234	10,753,917
Total Current Assets	<u>323,638,872</u>	<u>333,098,410</u>	<u>9,459,538</u>
Fixed Assets	1,624,448,802	1,729,111,384	104,662,582
Accumulated Depreciation	<u>609,635,112</u>	<u>671,964,807</u>	<u>62,329,695</u>
Book Value Fixed Assets	1,014,813,690	1,057,146,577	42,332,887
Other Assets			
Capital Commitment/Sinking Funds	16,037,722	9,933,108	(6,104,614)
Separation Sinking Funds	3,695,617	2,544,228	(1,151,389)
Other	<u>35,013,351</u>	<u>37,892,176</u>	<u>2,878,825</u>
Total Assets	\$1,393,199,252	\$1,440,614,499	\$47,415,247
Liabilities			
Current Liabilities			
Accounts Payable	\$47,716,280	\$34,579,694	(\$13,136,586)
Other	<u>157,504,475</u>	<u>149,454,348</u>	<u>(8,050,127)</u>
Total Current Liabilities	\$205,220,755	\$184,034,042	(\$21,186,713)
Total Long Term Liabilities	<u>56,528,192</u>	<u>129,317,367</u>	<u>72,789,175</u>
Total Liabilities	261,748,947	313,351,409	51,602,462
Fund Equity	<u>1,131,450,305</u>	<u>1,127,263,090</u>	<u>(4,187,215)</u>
Liabilities and Fund Equity	\$1,393,199,252	\$1,440,614,499	\$47,415,247

Figure 4-1

As of 30 September 1996, the overall financial position of Army operating funds remained sound. The Army continues to invest in modernizing the MWR physical plant, increasing the fixed-asset base by \$104.7M during the year. Current assets rose \$9.5M with current liabilities declining \$21.2M. Of significant note is the increase in long term liabilities of \$72.8M. This is primarily due to the AMWRF loan to the Army Banking and Investment Fund.

Figure 4-2 illustrates the statement of FY 96 APF and NAF operations compared with FY 95. Total APF support increased by \$49.4M while NAF revenue declined \$8.2M. NAF operating and overhead costs decreased \$51M, thus allowing for a material gain in NIBD. While the improvement carried to the bottom line, the Army as a whole is still not generating enough income to maintain its level of capitalization on an annual basis.

Summarized Income and Expense Statement: Army MWR Operating Funds

	Fiscal Year 95	Fiscal Year 96	Change
Revenue			
APF: Military Personnel	\$14,983,360	\$18,948,979	\$3,965,619
Operations, Maintenance Army	357,425,420	391,071,366	33,645,946
Other Operating	13,115,645	9,307,235	(3,808,410)
DLA	5,249,482	6,652,080	1,402,598
MCA	<u>2,600,000</u>	<u>16,800,000</u>	<u>14,200,000</u>
Sub-total	\$393,373,907	\$442,779,660	\$49,405,753
NAF: Sales	270,936,649	267,777,413	(3,159,236)
Gross ARM Revenue	119,447,876	121,181,809	1,733,933
Central Fund AAFES Dividend	24,635,824	24,401,632	(234,192)
ASD/Other AAFES	75,276,390	79,108,772	3,832,382
Other Revenue	410,590,040	402,536,631	(8,053,409)
Interest Income	<u>10,980,032</u>	<u>8,663,296</u>	<u>(2,316,736)</u>
Sub-total	\$911,866,811	\$903,669,553	(\$8,197,258)
Total Revenue and Appropriations	\$1,305,240,718	\$1,346,449,213	\$41,208,495
Expenses			
APF: Operating Labor	\$210,424,131	\$201,237,473	(\$9,186,658)
Overhead Labor	47,038,954	49,328,241	2,289,287
Other Operating Costs	<u>133,310,822</u>	<u>175,413,946</u>	<u>42,103,124</u>
Sub-total	\$390,773,907	\$425,979,660	\$35,205,753
NAF: Cost of Goods Sold	120,750,045	118,525,159	(2,224,886)
Operating Labor	367,536,229	364,275,350	(3,260,879)
Overhead Labor	120,730,310	114,607,498	(6,122,812)
Other Operating Costs	<u>248,193,032</u>	<u>209,779,026</u>	<u>(38,414,006)</u>
Sub-total	\$857,209,616	\$807,187,033	(\$50,022,583)
Total Operating Expenses	1,247,983,523	1,233,166,693	(14,816,830)
Military Construction Army	<u>2,600,000</u>	<u>16,800,000</u>	<u>14,200,000</u>
Net Income Before Depreciation	54,657,195	96,482,520	41,825,325
Depreciation	<u>99,390,889</u>	<u>104,882,520</u>	<u>5,491,631</u>
Net Income (Loss)	(\$44,733,694)	(\$8,400,000)	\$36,333,694

Figure 4-2

ARMY MORALE WELFARE AND RECREATION FUND

This is the MWR Board of Directors' third year of financing strategies to modernize the MWR NAF physical plant. The long-range plan redirects field NAFI revenue to the AMWRF for worldwide application and authorizes borrowing from the ABIF. FY 96 saw the continuation of this extremely aggressive capitalization plan with \$69.6M paid out for regular construction, \$9.7M for management information systems, and \$6.8M toward EUSA's cable television

in profit distribution from ARM operations. The profits were down \$1.3M from the FY 95 level as a result of the declining customer base in Europe. Major uses of cash included \$60.0M in shared distributions, \$3.3M for construction, and \$5.8M for internal ARM operations capital needs.

ARMY BANKING AND INVESTMENT FUND

The Army Banking and Investment Fund manages a pool of U.S. Government securities on behalf of its participants and pays interest based on the earnings of that portfolio. During FY 96, the ABIF provided cash management and investment services to 425 Army and DOD entities. Participants earned a compounded rate of 5.90 percent on their average deposited balance, up from 4.52 percent during FY 95. During the year, the ABIF distributed \$17.3M as interest income.

As in previous years (since 1991), the invested cash continued to decline as it fell from \$351M at the beginning of FY 96 to \$268M on 30 September 1996. Current projections (figure 4-4) reveal that this decline will continue until FY 98. As the funds are withdrawn to fund planned MWR programs and construction, investment managers will focus on maintaining liquidity and earning a competitive rate of return on funds remaining in the investment pool.

Uses of an AMWRF Dollar



Figure 4-3

program.

While the largest portion of the AMWRF's cash finances capital requirements, the fund also invests in other Armywide programs such as master training, interns, patron surveys, and marketing. The next largest allocation is for field services such as the U.S. Army Soldier Show, Army Sports, Arts and Crafts contests, and BOSS, as well as self-sufficiency exemptions. Finally, the fund supports a portion of the NAF administrative budget for CFSC. Figure 4-3 shows how the AMWRF dollar was allocated for FY 96.

ARMY RECREATION MACHINE TRUST FUND

The ARM Trust Fund, established to administer the Army's Recreation Machine operating profits, continues to be one of the most consistent sources for financing MWR capital requirements. During FY 96, the fund received \$79.1M

ARMY CENTRAL INSURANCE FUND

Despite suffering some heavy losses in the tort and property programs, the ACIF showed a net income of \$1.4M. This net income was impacted by reduced claims expense in the Workers and Unemployment Compensation programs. The savings in the Workers Compensation program will be returned to NAFIs in the way of a reduced rate for FY 97. The rate for Unemployment Compensation will remain unchanged. The tort program paid several large claims for injuries caused by NAFI negligence. Hurricane losses at several installations in the southeastern United States resulted in a net loss for the property program. Money and securities losses were down but fidelity bonding claims were up from previous years. During FY 96, the program continued to respond to new insurance needs by offering bingo prize coverage and a policy specifically designed for golf course exposures. The Risk Management program continues to provide broad insurance protection at the lowest possible cost.

ARMY CENTRAL RETIREMENT FUND

The ACRF represents the total of employee and employer contributions and investment earnings on those contributions (plan assets) for the U.S. Army Nonappropriated Fund Employee Retirement Plan and the liability to provide benefits to participants and their survivors.

As of 1 October 1995, the date of the last available plan actuarial valuation, the value of benefits participants have earned to date (actuarial present value of accumulated plan benefits) was \$289.4M. This value is the amount required to satisfy all the plan's obligations if it were terminated today. The market value of assets available on 30 September 1995 was \$328.2M; therefore the funded ratio was 113 percent.

A more important measure of the plan's financial health is its ability to meet the obligations for benefits that will be earned in the future. An enrolled actuary makes these computations annually. The total actuarial accrued liability as of 1 October 1995 was \$318.5M compared to \$307.9M a year ago. The actuarial value of assets as of 1 October 1995 was \$300.4M, and therefore, the unfunded actuarial accrued liability is \$18.1M on 1 October 1995 as compared to \$33.5M a year ago, an improvement of \$15.4M. Amortization of this shortfall will continue to occur over a number of years and is reflected in the rate charged employers and NAF employees.

Retirement plan assets are in a trust fund that can be used only to provide benefits to participants as authorized by the plan. Five trustees control the Trust and are responsible for investing assets in authorized investments such as stocks, bonds, real estate, and government instruments. Assets are invested so that, over time, the return on investment meets the long-term assumptions on which the plan is based. The plan paid NAF Retirees and their beneficiaries \$16.4M in FY 96, including a 2.6 percent COLA on 1 April 1996.

On 30 September 1996, the plan's assets totaled \$361.9M. These assets were invested as shown below (figure 4-5).

The return on investment earned by these assets for the year ended 30 September 1996 was 11.9 percent.

ARMY MEDICAL/LIFE FUND

The Army offers health, dental, and life insurance benefits to its regular NAF employees. The AMLF collects premiums from employers and employees (and the Army MWR Fund for the self-insured preferred provider option only)

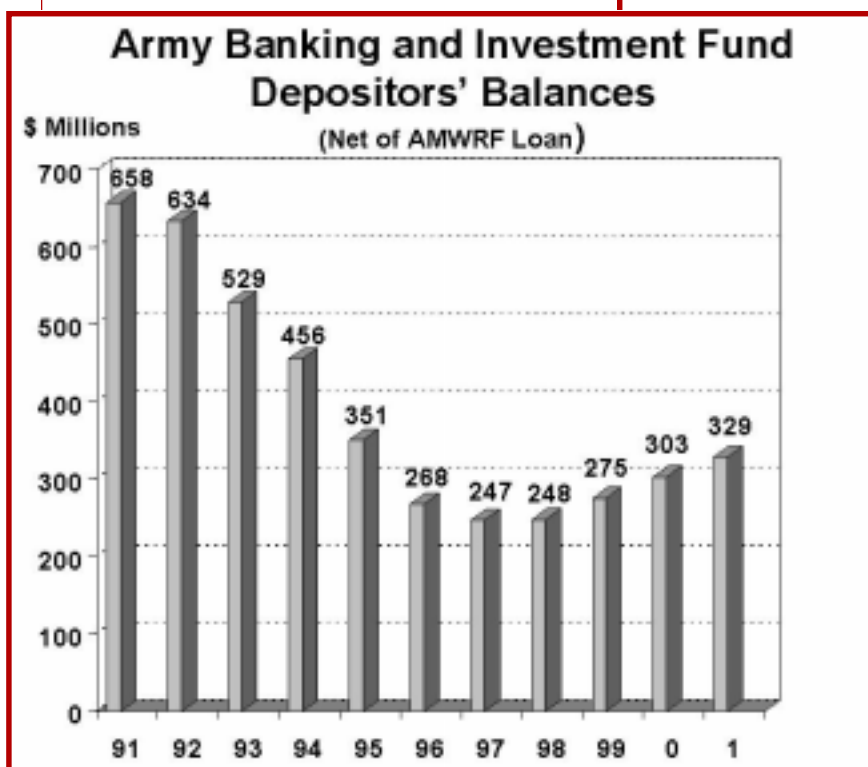


Figure 4-4

based on participant enrollment in the health benefits options. Alternatively, employees may elect health benefits coverage through health maintenance organizations. Claim expenses for the preferred provider option are satisfied by disbursements directly to affiliated medical service providers after the plan takes its discounts. When services are provided from outside the preferred provider network or for any dental claims, participating employees are reimbursed directly. In order to preserve the tax-preferred status of life insurance benefits, the AMLF

The NAF Employee Retirement Plan makes monthly pension payments of almost \$1.4M to 4,200 retirees.

Asset Class	Amount * (in Millions)	Percent *
Stocks (equities):		
Domestic	\$ 186.8	51.6
International	47.3	13.0
Fixed Income (bonds)	94.7	26.2
Real Estate	14.2	3.9
Venture Capital	9.9	2.7
Other (Govt/Govt insured)	8.9	2.6
TOTAL	\$ 361.9	100.0

* Totals may not add due to rounding

Figure 4-5

The 401(k) Savings Plan grew to over \$50M within 5 years of commencing operations.

reimburses a contracted insurance carrier for benefits paid to beneficiaries of deceased participants in the life insurance program.

Beginning January 1996, the AMLF replaced the entire health benefits program (composed of high- and low-option indemnity plans and a voluntary PPO) with a universal PPO. An “out of area” benefit, similar in design to the old indemnity plan, is included for employees who get treatment outside the United States or in areas of the United States where PPOs have not been developed.

The AMLF completed FY 96 by posting a \$1.67M increase in fund balance versus \$320,000 for FY 95. The programmatic changes yielded financial results that allowed us to defer a premium increase for another year.

US ARMY NAF EMPLOYEE 401(K) SAVINGS PLAN

Since its inception in 1992, the Savings Plan generated considerable interest among employees. As a result of an educational effort undertaken in FY 96, enrollment among active employees increased by 1,500; many other employees who were already participating increased their earnings deferrals in the plan. The U.S. Equity Index fund was added as an investment option in August 1996.

As of 30 September 1996, the total of individual 401(k) Savings Plan account balances was \$50.3M, an increase of \$12.9M over the total on the same date last year. The accompanying chart shows investment returns for each of the seven funds available for employee selection as investment options.

**US Army NAF Employee 401(k) Fund
Average Annual Total Return
Period Ending September 30, 1996**

Name of Investment Fund	1 Year Return	5 Year Return	Life of Fund
Retirement Money Market Fund	5.38 %	4.37 %	5.65 %
U.S. Bond Index Fund	4.69 %	7.64 %	8.95 %
Asset Manager Fund	10.37 %	11.00 %	12.29 %
Growth & Income Fund	20.78 %	16.82 %	18.53 %
Growth Company Fund	13.82 %	16.15 %	17.78 %
Overseas Fund	10.36 %	8.23 %	17.87 %
U.S. Equity Index Fund	20.12 %	14.96 %	15.10 %

Figure 4-6

Program Status Reports

ARMY FAMILY TEAM BUILDING

Army Family Team Building, a grass-roots driven program, designed to educate and train our soldiers, civilians and family members to prepare for the many challenges of military living, completed its third full operating year. It made tremendous strides toward accomplishing its mission of making America's Army more self-reliant and self-sufficient. An independent assessment validates that families who attend AFTB are more informed, more confident and better prepared to take care of themselves.

Today, AFTB has the "thumbprint" of the Army's Chief of Staff, General Dennis J. Reimer, to move families forward to the 21st century. In his memorandum of 17 April 1996, he states, "Army Family Team Building will be the program that provides our Army with the information, knowledge, and skills to gain self-reliance and to use the community support programs provided to assist them."

The challenge for AFTB is to maximize the effectiveness of the chain of training by getting the program of instruction from the AFTB master trainers to the installation and homestation instructors and attracting family members into the classroom to receive the training. It is here we can measure the overall success of the program.

Family member training commenced in June 1994. During the first two and a half years, 1,845 family member volunteers and support staff graduated as AFTB master trainers. In the same period, 1,557 volunteers graduated as instructors. Efforts in FY 96 focused on joint training of all three components (Active, Guard, Reserve) together.

During FY 97, AFTB plans several new initiatives designed to enhance communication, cooperation and commitment across the program and ensure viability for the future. These initiatives are:

- ◆ Conduct five AFTB Master Trainer Courses. With four courses in CONUS and one overseas, AFTB expects to produce an additional 550 Master Trainers.
- ◆ Develop a DA Pamphlet or Circular providing guidance and outlining responsibilities.
- ◆ Implement a new Senior Spouse Leadership Seminar at the Army War College and Sergeants Major Academy.
- ◆ Develop and distribute AFTB's newsletter, *The Team Player*, quarterly to approximately 9,000 volunteers and interested family members.



ARMY COMMUNITY SERVICE

In FY 96, \$40.6M APF was programmed for Army Community Services, an 8.4% increase over the \$37.2M funded in FY 95. The overall FY 96 APF obligation was \$34.2M as of 30 September 1996. With program adjustments during the first quarter of FY 97, the obligation will increase to approximately \$39.1M. This equates to a 96.3 percent obligation rate, down from 99.5 percent in FY 95. The Family Advocacy and Relocation programs obligated \$52.0M and \$5.0M DOD money, respectively.

RELOCATION ASSISTANCE PROGRAM

The ACS Relocation Assistance Program continues to receive high levels of use by soldiers and their families. The Standard Installation Topic Exchange Service was revised in FY 96 to include installation pictures, installation services information, and data about the surrounding area. ACS improved customer access to SITES by placing it on the internet. Several additional initiatives are underway to improve relocation services. ACS, in cooperation with the Family Centers of the other services, is developing outcome measures for the RAP. These measures will enable us to better evaluate the positive impact of the program. DOD is working with the services to test a regionalization concept for relocation in areas with heavy concentrations of military families from all services.

FAMILY MEMBER EMPLOYMENT ASSISTANCE PROGRAM

The FMEAP helped place 11,104 family members in jobs and added over \$177M income to Army households. It helped over 23,185 individuals prepare job applications, SF-171s and resumes. During FY 97, The Deputy Assistant Secretary of Defense (Personnel, Support, Families and Education) will conduct a survey of Sergeant and below spouses to determine employment needs and improve service delivery to this target population. DOD is

In 2½ years, AFTB trained 1,845 master trainers and 1,557 instructors.

In FY 96, ACS placed 11,104 family members in jobs, adding \$177M to Army household incomes.

also developing a partnership with the Small Business Administration to train military spouses through the SBA Women's Business Demonstration Program.

DEPLOYMENT/MOBILIZATION SUPPORT

Preparing soldiers and families for deployment is essential to force projection readiness. Operation READY has been instrumental in preparing soldiers and families for deployment, homecoming and reunion. CFSC conducted training for over 300 ACS staff, FSG leaders, and rear detachment commanders to enhance utilization of Operation READY materials in the field. Operation READY was also the basis for the first-ever ACS Directors' Training Exercise Without Troops. The exercise focused on the directors' skills and abilities to resolve simple and complex problems that may arise during a deployment. CFSC is expanding Operation READY to include a basic Family Support Group leader's guide.

EXCEPTIONAL FAMILY MEMBER PROGRAM

In January 1996, the Army began using new EFMP enrollment automation that allows headquarters and field staff to communicate and network with each other around the world quickly and efficiently. As of 30 September 1996, the EFMP enrolled 31,695 sponsors and 37,933 family members. During FY 96, EFMP published a revision to AR 608-75, Exceptional Family Member Program. Aberdeen Proving Ground hosted a worldwide EFMP workshop for more than 175 ACS and EFMP medical staff in Baltimore, MD. This workshop focused on early identification of soldiers with exceptional family members and the importance of proper screening of soldiers before permanent change of station.

INFORMATION, REFERRAL AND FOLLOWUP

The IR&F program is the backbone of Army Community Service. In FY 96, it provided soldiers and family members with general and specialized information about military and civilian resources to meet their needs. A new IR&F program model was staffed with major Army commands to enhance professionalism and integration among information and referral activities in the ACS center. Linkages with other military and civilian information and referral providers occurred through Army participation in the DOD military intensive session of the Alliance of Information and Referral Systems conference and corporate membership in AIRS. These linkages helped reduce duplication and fostered partnerships among military and civilian information and referral providers.

CONSUMER AFFAIRS AND FINANCIAL ASSISTANCE PROGRAM

Frequent deployments, increased soldier contact through the ACS Unit Service Coordinator program, access to liberal credit programs, and laws that allow garnishment of wages for commercial debts increased demand for CAFAP services during FY 96. CAFAP preventive education (ranging from basic money management to long-range financial planning), financial counseling, and debt liquidation services teach self-sufficiency, improve deployment readiness, reduce indebtedness, and decrease demand for emergency financial assistance. During FY 96, CAFAP assisted over 17,000 individuals in paying off \$13M in debts. The Volunteer Income Tax Assistance program served over 28,000 individuals and saved soldiers and families over \$1.7M in income tax assistance fees.

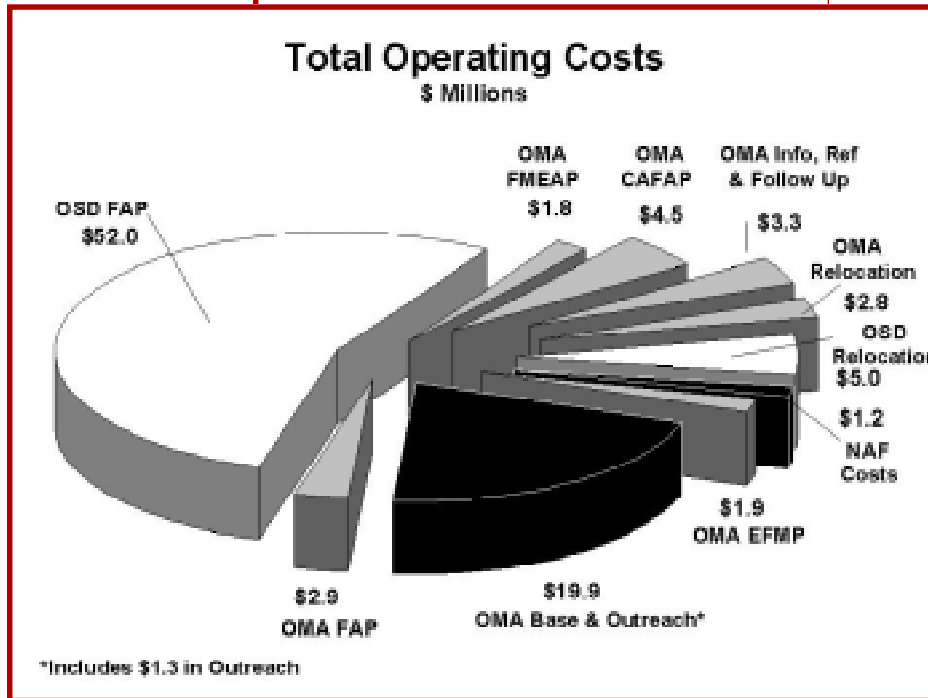


Figure 5-1

THE FAMILY ADVOCACY PROGRAM

During FY 96, FAP continued emphasis on prevention of child and spouse abuse, expanded the New Parent Support Program and began integration of program evaluation (outcome measures). These initiatives will be the primary focus for FY 97. The FAP will move forward on automation initiatives and strengthen installation linkage with internet connectivity. Implementation of a performance-based management system designed to measure the effectiveness of existing prevention and treatment programs using defensible, quantifiable data will be the primary focus to improving the program.

ARTS & CRAFTS

Total funding for the Arts and Crafts program decreased from \$18.3M in FY 95 to \$16.6M in FY 96. Appropriated funds for the Arts and Crafts program increased by \$100,000 during FY 96. Arts and Crafts operated on a funding mix of 53 percent NAF and 47 percent APF. This is an improvement from the 58 percent NAF and 42 percent APF experienced during FY 95 but still substantially below the DOD goal of 65 percent APF support.

NAF program operations decreased, with revenue falling from \$7.6M in FY 95 to 7.2M in FY 96. Despite this decrease in revenue, leaders reduced operating costs \$1.8M and improved NLBD from \$3.0M in FY 95 to \$1.6M in FY 96.

With the continued focus on management efficiencies, program managers must continue to provide high-quality customer-driven programs and equipment while focusing on innovation, creativity, and flexibility to meet customer needs. Managers must operate in a business-like manner, promoting resale goods in support of instructional programs, improving merchandise displays, and generating sufficient revenue to offset operating costs.

During the FY 96 BOSS conference, CFSC staff provided soldiers with the opportunity to experience a variety of arts and crafts activities; the response was overwhelming. Soldiers learned rubber stamping, computer graphics, picture framing and more. Arts and crafts managers in the field must use nontraditional activities like these to reach out to their customers. They must move the program outside their facility and take it to the customer.

Recognizing customer needs and keeping abreast with trends are key elements in program success. The FY 96 Arts and Crafts training was held in conjunction with the Hobbies Industries of America trade show and afforded managers the opportunity to see first hand the latest in the hobby industry. Managers learned new crafts, services, and methods of instruction that will ensure a viable, state-of-the-art program for the future. The FY 97 Arts and Crafts training will again be held in conjunction with HIA.

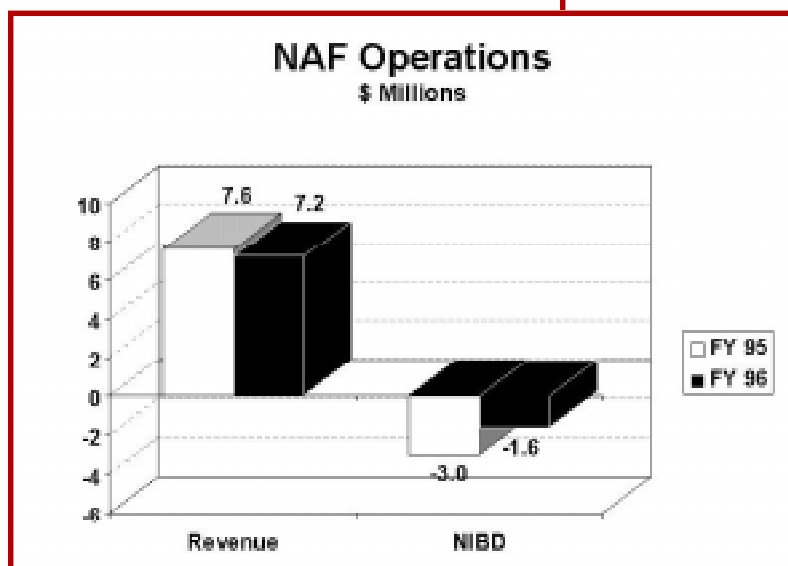


Figure 5-2

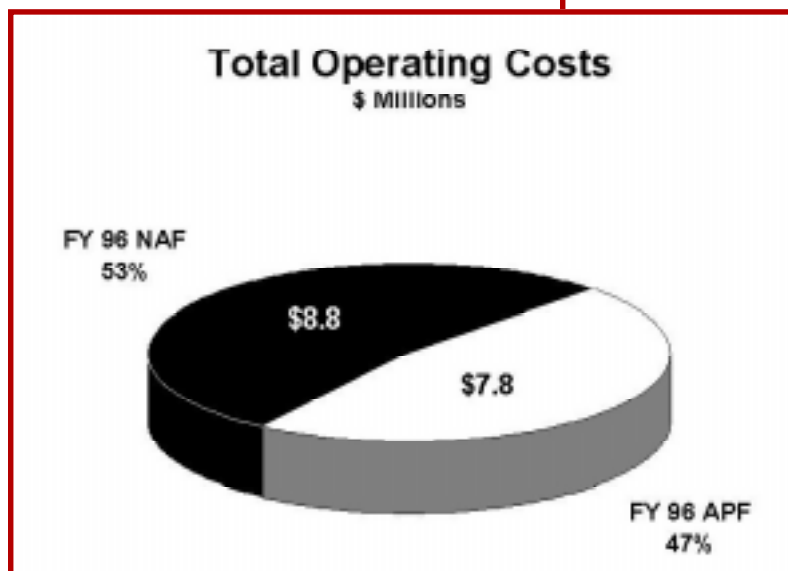


Figure 5-3

Financial Information

Amy Average Data

	FY 95	FY 96
COGS	63.3%	60.3%
Labor	76.1%	66.4%
Other Op. Exp.	18.4%	18.9%

Figure 5-4

AUTOMOTIVE SKILLS

APF support for the Automotive Skills Program decreased from \$10.5M in FY 95 to \$9.7M in FY 96. The \$800,000 decrease in APF support was part of the Category B recreation program loss of \$2M APF support and caused the funding mix for the program to drop from 55 percent APF in FY 95 to 53 percent in FY 96. This reduction moves the program farther away from the DOD APF goal of 65 percent total costs.

The Automotive Skills Program's goal is to provide the soldier or family member the opportunity to learn new skills and repair their own vehicle economically. In order to assist our customers with these goals, staff skill and knowledge must be expanded to encompass electronic diagnostics for modern automobiles. In FY 96, CFSC began the process to provide the needed skills training. An innovative training approach replaced the normal TDY conference with multiple installation delivered training workshops for instructors. The training focused on ABS brakes and charging systems and impacted twice the number of instructors at the same cost.

During FY 96, the Automotive Skills program adopted an oil change reminder sticker with the MWR logo and program name as a marketing tool to promote customer awareness and interest. More than 450,000 of these stickers were made available for installation customers to record their mileage and date of oil change and remind them of the value received at their automotive skills center.

The year ahead will find implementation of new operational standards for automotive skills centers. These standards will encompass services provided, staffing, facility management, and training. A second initiative planned is the adoption of common terminology for services provided so that costs and benefits may be compared among installations. Automotive Technical Trainer Travels will be exported to USAREUR and select CONUS installations during FY 97. Likewise, the Automotive Skills will begin benchmarking their program during the year.

NAF Operations

\$ Millions

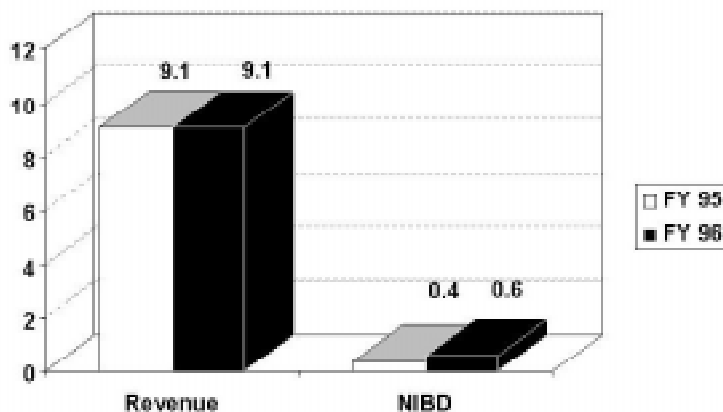


Figure 5-5

Overall NAF FY 96 revenues remained constant at \$9.1M from FY 95. However, FY 96 NIBD increased approximately \$200,000 over the FY 95 NIBD, as a result of management's efforts to control operating expenses. This increase in NIBD is in addition to \$200,000 in BRAC-related costs.

Total Operating Costs

\$ Millions

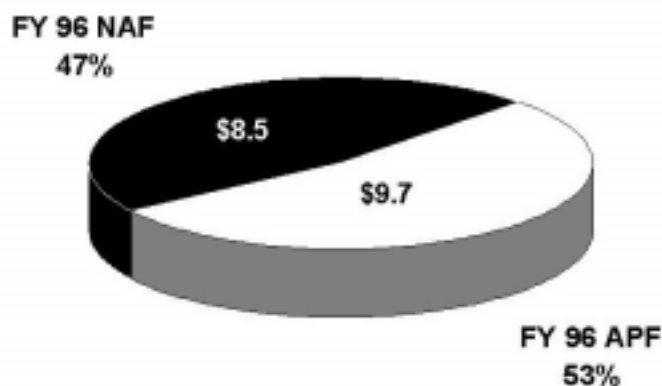


Figure 5-6

Financial Information

Army Average Data

	FY 95	FY 96
COGS	77.3%	75.4%
Labor	70.0%	65.7%
Other Op. Exp.	12.2%	11.4%

Figure 5-7

ARMED FORCES RECREATION CENTERS

The AFRCs experienced a great degree of operational stability in FY 96. That stability, and the opening of the new 396-room tower at the Hale Koa Hotel, produced record levels of revenue and NIBD.

Although the new tower at the HKH increased the number of rooms in the overall AFRC inventory by almost 30 percent, overall occupancy in FY 96 of 92.7 percent was virtually unchanged from 93.9 percent in FY 95. The number of room-nights sold in FY 96 increased by 120,300, or 26 percent.

The cessation of rent payments at Shades of Green added \$1.7M to NIBD in FY 96. Continued strong demand and new management initiatives at SOG and DHL contributed another \$1.9M to NIBD, as compared to the previous year.

BOWLING

Bowling centers generated \$5.6M in NIBD in FY 96, compared to \$2.8M in FY 95. Although this appears to be a significant increase, it is important to note that FY 95 results were impacted significantly by Base Realignment and Closure expenses. Revenue remained fairly constant over the two-year period, decreasing slightly from \$45.7M in FY 95 to \$44.9M in FY 96.

CFSC will release benchmarks for bowling in November 1996. These performance targets are designed to assist commanders and program managers alike to evaluate, monitor and make adjustments to local operations. The benchmarks are based on historical Army results, other military service results, and industry statistics. Research already completed in preparation for the benchmarks reveals:

- ♦ 11.1M lines were bowled at the Army's 126 bowling centers.
- ♦ The Army averages 16 lines bowled per lane, per day, compared to 24 for the industry.
- ♦ Army centers generate more revenue per line, \$3.96, than industry, \$3.26, but the Army NIBD is only \$0.55 per line, compared to industry's \$0.82.

Goals for FY 97 are to improve bowling operations by reducing labor costs, increase lines bowled by concentrating on open bowling, improving league play, and reducing total operating expenses. Managers at every level must place emphasis on new, innovative programs available in the commercial market designed to attract new bowlers to the game.

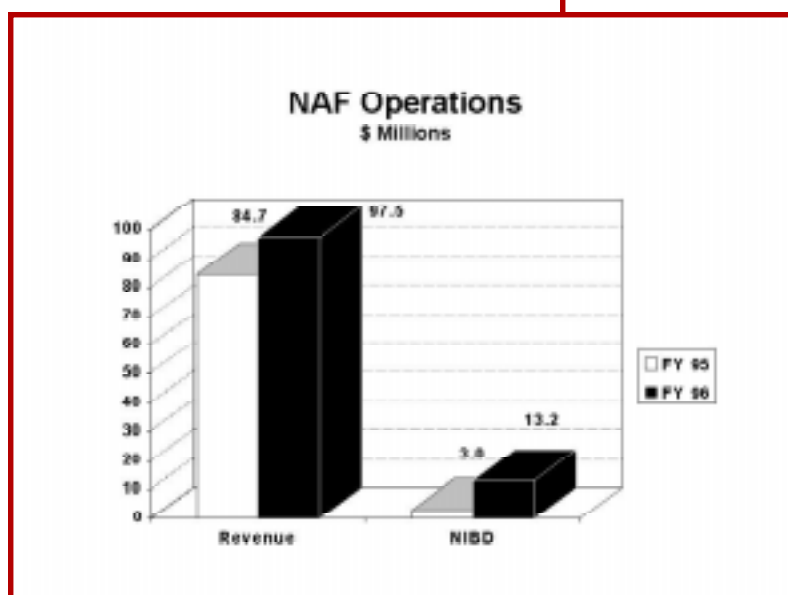


Figure 5-8

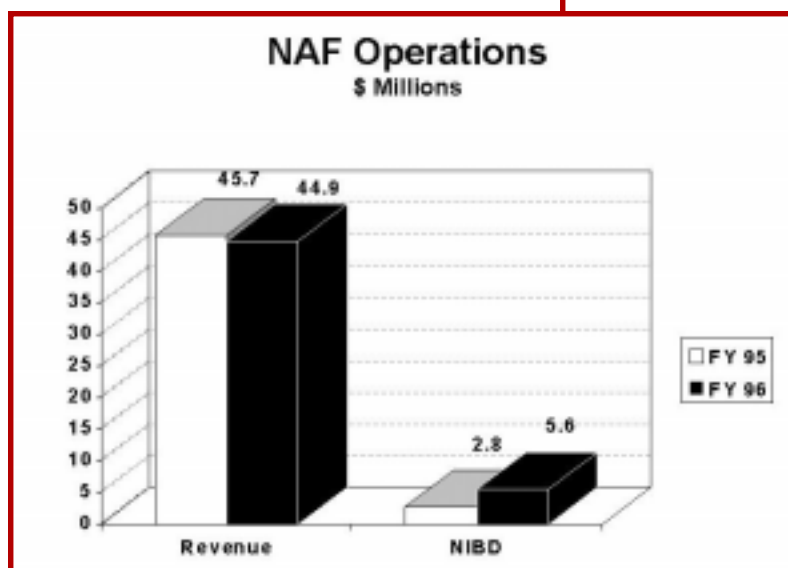


Figure 5-9

Financial Information

Army Average Data

	FY 95	FY 96
COGS	41.7%	41.5%
Labor	53.7%	54.1%
Other Op. Exp.	11.8%	12.2%

Figure 5-10

BETTER OPPORTUNITIES FOR SINGLE SOLDIERS

The Better Opportunities for Single Soldiers program continues to flourish as soldiers, program managers, senior NCOs and the chain of command develop policy to improve program operation. During March and April of 1996, a two-phase process action team assembled in Arlington, VA, and drafted a Department of the Army Circular 608-97-1 that establishes the parameters and responsibilities for the BOSS program.

BOSS continued to conduct the Commissary Awareness Promotion at 32 installations. The program provided over \$87,000 worth of product samples, as well as gym bags, to the participants during their informational tour of the commissary.

In May 1996, approximately 350 soldiers made their way to Shades of Green on Walt Disney World Resort for a week of sun and fun. This promotion offered single soldiers the opportunity to sample the hospitality of the Army's newest Armed Forces Recreation Center.

(Right) SSG Jeffrey McAleer teaches children the "Game of Kings".

PV2 Sujon Drummond and BOSS advisor Betty Welsh prepare a briefing during the 6th Annual Korea BOSS Seminar.



In FY 97, a "how to" desk reference, designed to assist BOSS representatives with the day-to-day operation of the program, will be developed. Another project targeted is the production of an educational training video which explains the purpose and operation of the BOSS program.



The Army BOSS program serves as a model for other military service programs. During FY 96, the BOSS staff shared program information to assist the Navy and Marine Corps with the establishment of their single service member programs.

ARMY RECREATION MACHINES PROGRAM

During FY 96, ARMP machine life-to-date revenue hit the \$1 billion mark since recreation machines were reinstated in FY 81. Of that revenue, over \$830M has been returned to MWR at the installation, MACOM, and Department of the Army levels. Total machine revenue for FY 96 was \$121.2M. Efforts continued in both CONUS and overseas locations to expand amusement machine (video games) operations. During FY 96, CFSC and AAFES partnered in several joint ventures where CFSC provides machines for both MWR and AAFES locations. Amusement machines generated more than \$5.5M of ARMP total revenue.

CHILD DEVELOPMENT SERVICES

The ratio of APF to NAF support for CDS programs remained nearly the same as the previous year with 65 percent of costs borne by APF and 35 percent borne by NAF. Through sustained efforts at all levels, CDS continued to show a dramatic turnaround in NAF operations. The NAF subsidy decreased by 55.6%. This improvement resulted from slight increases in NAF revenue, a \$700,000 decrease in NAF operating costs, and continued implementation of the CDC financial management turnaround plan.

Armywide CDS programs executed \$108.2M in direct APF as of September 1996; \$101.5M was programmed for direct program costs, with the year's execution rate of 107 percent. CDS continues to build on the program cornerstones of affordability, availability, and quality with the following initiatives:

- ◆ DOD certification of 118 of 122 CDS programs.
- ◆ Accreditation of 128 of 156 (82 percent) CDCs by the National Academy of Early Childhood Programs, a 20 percent increase over FY 95.

During FY 96, the Army continued expansion of child care spaces and school-age program options. The School-Age Services program serves as a bridge between Youth Services and CDS, helping installations meet full-day, part-day, and hourly child care needs for young children, as well as recreational and sports needs for youth. FY 96 initiatives included:

- ◆ Fifty-four installations serving as Army School-Age and Teen pilot sites to identify policies and procedures necessary for operation.
- ◆ Training more than 180 management staff on school-age programs.
- ◆ Implementing MWR Youth Partnerships at 10 pilot installations to increase available child spaces and youth program options.
- ◆ Training school-age staff in adolescent growth and development.

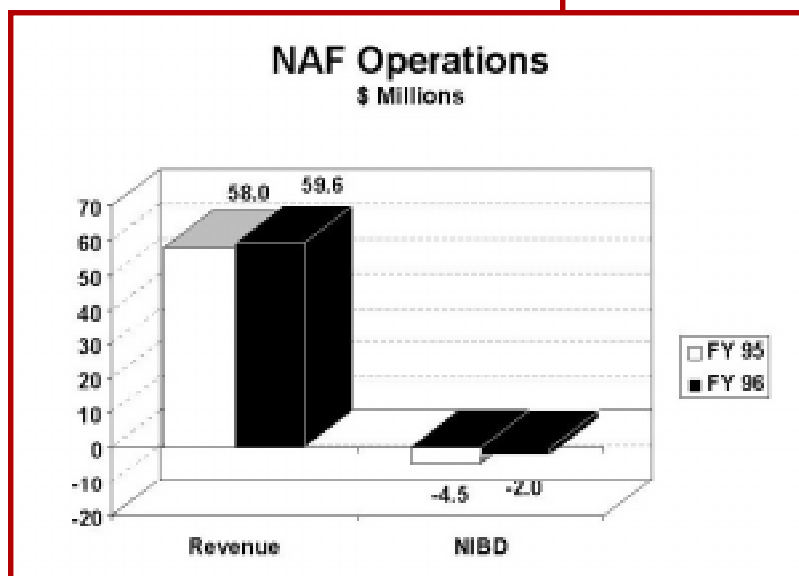


Figure 5-11

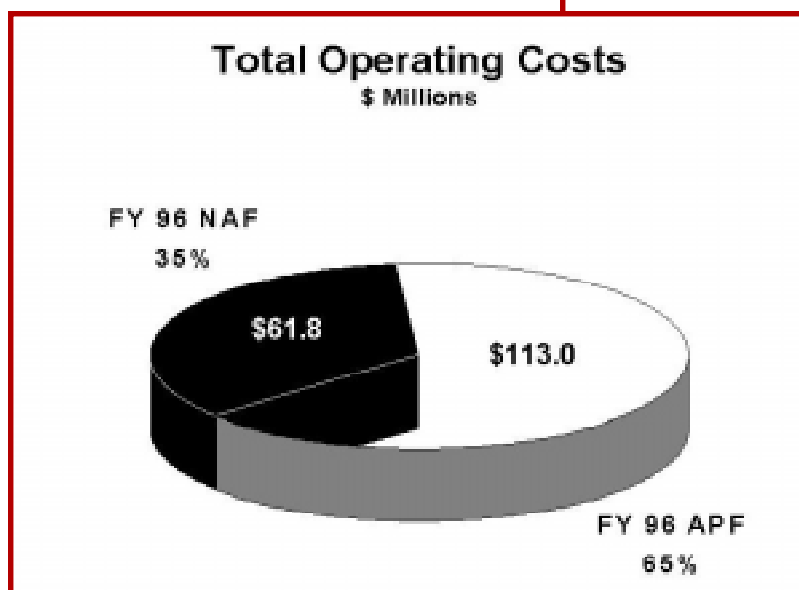


Figure 5-12

Financial Information

Army Average Data

	FY 95	FY 96
Labor	96.5%	96.5%
Other Op. Exp.	10.5%	6.8%

Figure 5-13

NAF Operations - Revenue
\$ Millions

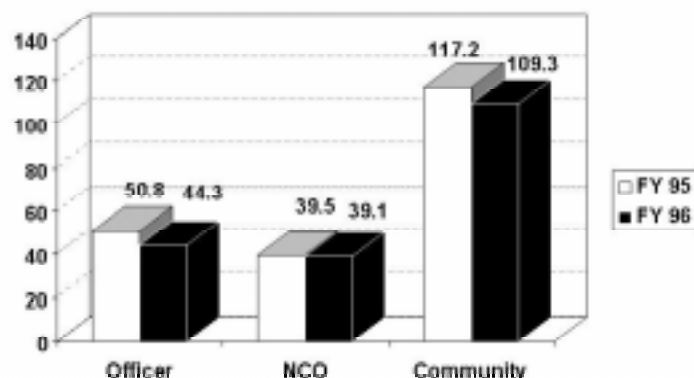


Figure 5-14

NAF Operations - NIBD
\$ Millions

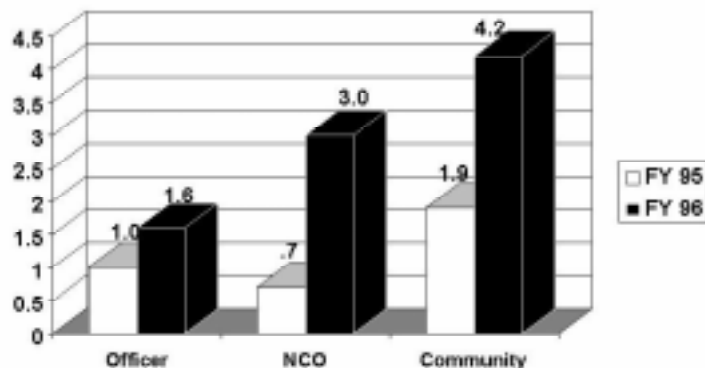


Figure 5-15

CLUBS

Clubs continue to show a marked improvement. The NIBD for the club program in FY 96 was \$8.8M, a \$5.1M improvement over FY 95. The increase is even more dramatic when coupled with a \$14.8M decrease in revenue.

This continued turnaround is the result of MWR Board of Directors guidance on improved profitability and the ability of commanders to define their customer base. Locally, MWR and club managers have been successful in making the difficult but often necessary business-based decisions to cut operating costs, and in successfully changing program offerings to respond to demand and increase profitability.

Enhancement of catering operations was a primary focus in FY 96. A workshop conducted in November 1995 was attended by over 50 participants and emphasized improving client relationships, providing greater menu variety, and using imaginative displays and decorations. The workshops had a positive impact on catering operations, and plans are to host additional workshops in FY 97 featuring guest speakers including the President of the National Association of Catering Executives.

Poor NIBD results in food continues to plague clubs. Clubs generated \$80M in food sales and only \$400K in NIBD, or 0.4 percent. This performance led the Board of Directors to consider a mission box standard for food programs beginning in FY 98.

Goals for FY 97 are to improve results in food programs and to develop food and beverage benchmarks.

Financial Information

Amy Average Data

	FY 95	FY 96
COGS	36.5%	36.5%
Labor	47.1%	45.8%
Other Op. Exp.	25.7%	26.4%

Figure 5-16

FOOD, BEVERAGE AND ENTERTAINMENT

The MWR Board of Directors funded contract assessments of food, beverage, and entertainment programs at selected installations to identify the key market opportunities for food and beverage services, to suggest restructuring to capitalize on these opportunities, and to develop an implementation plan.

To date, FB&E assessments have been completed at 24 installations. Results of these assessments report that soldiers and families are significant food, beverage and entertainment consumers—spending on par with their civilian counterparts. Additional findings document that MWR should relook fine dining, move toward themed operations in food and beverage activities, and concentrate on quick service programs. Clubs need to increase their efforts to attract the catering business.

Overall, the FB&E assessments have validated the direction the Army has taken. CFSC and major commands developed a series of themed dining/snack bar concepts to upgrade food and beverage operations and are in the process of implementing them at selected sites worldwide. These theme restaurants will upgrade full-service and snack bar operations in clubs, bowling centers and golf course club houses.

In October 1996, the first *Primo's Express* will open in the Winners' Circle Sports Bar at Fort Drum, NY. The first *Strike Zone Bowling Center Snack Bar* will open in November 1996 at Fort Shafter, HI. These new restaurants join the popular *Primo's Italian Restaurant*, which opened at Fort Hood, TX, in October 1995.

A cart/kiosk operation was developed and introduced at the August ALA Convention in Orlando. Menu selections are limited to popular, easy-to-prepare items that meet the demand for quick service. Carts and kiosks will allow MWR activities to offer “drop-in” express versions of the concept restaurants where counters are not available.

Chef Primo and Executive Chef Frank Grosspietsch preside over opening of Fort Shafter's new Strike Zone restaurant.



Primo's



ENTERTAINMENT (MUSIC AND THEATER)

Entertainment at the installation level reduced total NLBD from \$600,000 in FY 95 to \$200,000 in FY 96, despite a \$200,000 revenue decrease. The decrease in NLBD was caused by a \$447,000 decrease to total operating expenses and other expenses, respectively. At the same time, the overall APF funding increased from FY 95 level of 56 percent to 63 percent in FY 96.

The Army Concert Series, in a highly successful third year, helped improve overall NAF operations by presenting 11 “big-name” concerts at major CONUS installations. The series drew 44,000 spectators and showed a 1,000 percent increase in income over 1995. Special events training provided by CFSC staff contributed directly to the financial success of local concerts as well as the Army Concert series events. Entertainment program performance is expected to improve even more as installation entertainment directors coordinate more of the special events. Likewise, with continued special events training, we will improve both programming and operational skills, draw larger crowds, provide better entertainment shows, and garner greater event profits to support the remainder of the program.

In addition to the success of special events, the theater program experienced growth, with a 25 percent increase in productions or shows and two new installation programs.

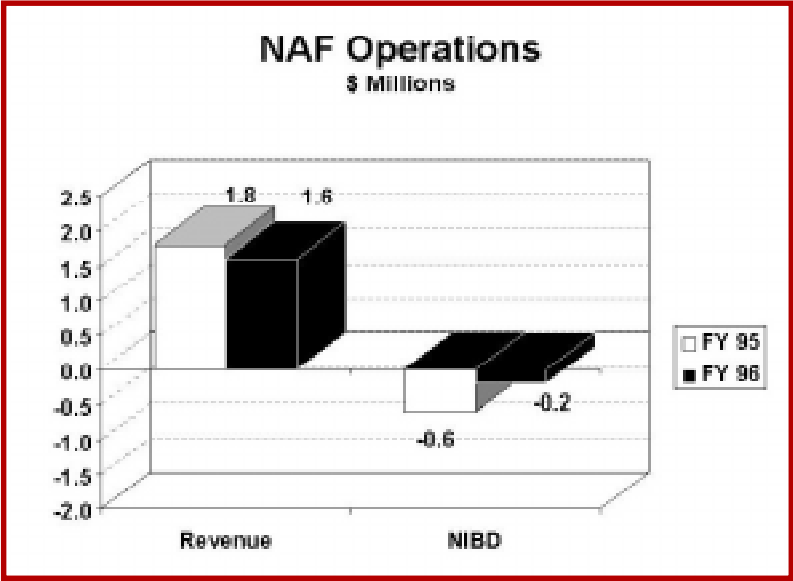


Figure 5-17

The 1996 U.S. Army Soldier Show seven-month tour included Germany, Italy, Hungary, and the Summer Olympics, with 97 performances at 59 locations, before audiences totaling more than 100,000.

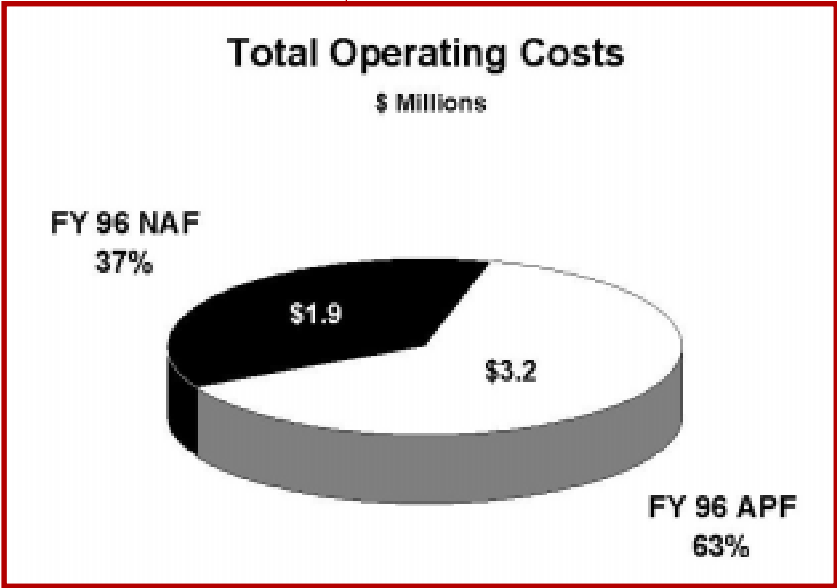


Figure 5-18

Financial Information		
Army Average Data		
	FY 95	FY 96
Labor	75.2%	64.6%
Other Op. Exp.	47.5%	40.6%

Figure 5-19

GOLF

For the first time in three years, golf showed a marked improvement in FY 96, generating an NIBD of \$11.2M. This \$3.7M increase over FY 95 results can be attributed to a \$2.4M increase in revenues and a \$900,000 reduction in total operating expenses.

The golf program benchmarks, released in early FY 96 and based on FY 95 results, provided performance targets for installations and were designed to help commanders monitor and make necessary adjustments to local operations. The benchmarks proved to be useful and will be reviewed and adjusted every other year.

Operational and maintenance reviews, conducted by industry experts, were performed at many Army golf courses. These reviews provide a thorough analysis of the golf program and offer commanders specific, results-oriented recommendations for improved operations. Such reviews can be structured to develop complete maintenance plans designed specifically for a particular golf course.

Fort Excellence, another tool to assist commanders review and improve their MWR programs, was developed during FY 96 using golf as a prototype. To be released in FY 97, it can be used as a working tool for planning, assessment, training and benchmarking. Look for Fort Excellence - Golf, on the internet (http://image.redstone.army.mil/fort_excellence).

RECYCLING

Recycling generated an NIBD of \$4.4M from MWR operated recycling programs and transferred a portion of the income from the Installation Recycling Account to the IMWRF. Though a decrease from FY 95, it remains substantially above the FY 94 low point of \$2.9M. Increased costs of operation and labor contributed to the decrease in earnings and lower market prices for many items resulted in a decrease of revenue of approximately \$1M.

DOD continues to work on a new recycling guide that will specifically define the authorized expenses and procedures for recycling operations. This will result in more efficient operations, quicker product sales, greater recycling rates, and increased earnings.

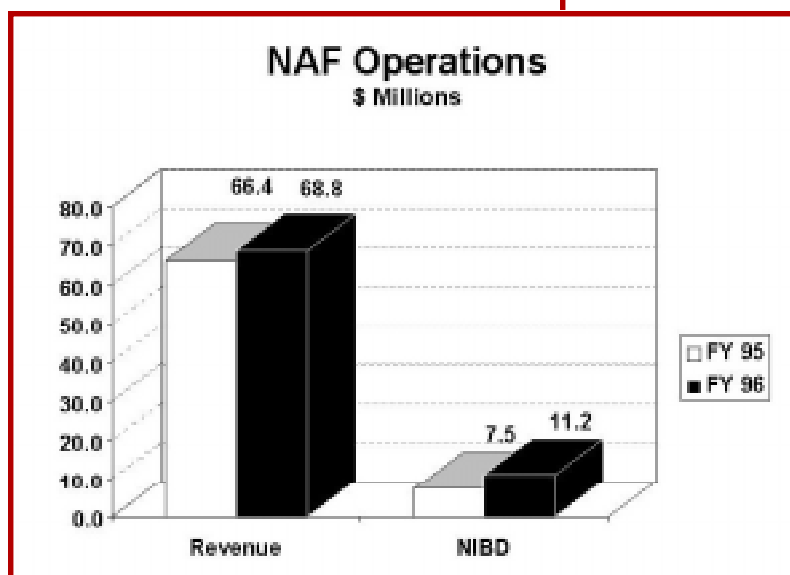


Figure 5-20

Financial Information

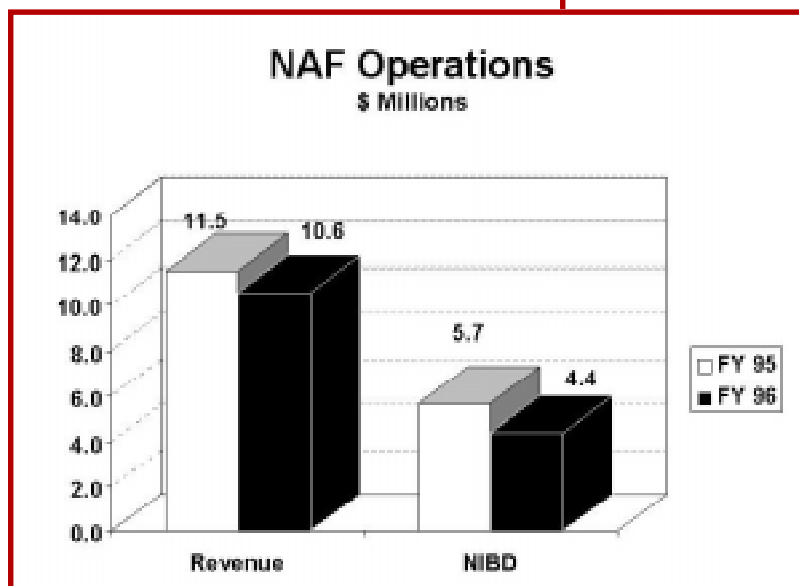
Army Average Data

	FY 95	FY 96
COGS	61.8%	61.5%
Labor	48.8%	46.2%
Other Op. Exp.	19.5%	18.3%

The Army's Golf program offers players 1,215 holes at 62 installations

Figure 5-21

Figure 5-22



GUEST HOUSES

Guest House operations achieved a slight increase in both revenue and NIBD in FY 96 as they began working toward meeting the goals and objectives outlined in the *Army Lodging Strategic Plan* and lodging standards. The average room rate for Guest Houses for FY 96 was \$32.28. It is important to remember, however, that while Guest Houses maintain the capability to be a major profit generator for the installation, that capability must be balanced against costs borne by the soldier and costs to the Army during the period when a soldier on permanent change of station is receiving temporary lodging entitlement.

While large operations were busy implementing the lodging standards developed in FY 95, installation and MACOM representatives participated in developing modified standards for implementation at small operations (less than 75 rooms). These standards will be published and distributed during FY 97, helping to ensure that Guest Houses Armywide provide consistent, quality service.

Also tied to providing quality customer service was the mandatory implementation of the Performance Plus Training System developed by the Educational Institute of the American Hotel & Motel Association. Performance Plus is a comprehensive training system focused on helping operations set goals to improve service and reduce turnover -- key factors for success in today's hospitality industry.

NAF Operations \$ Millions

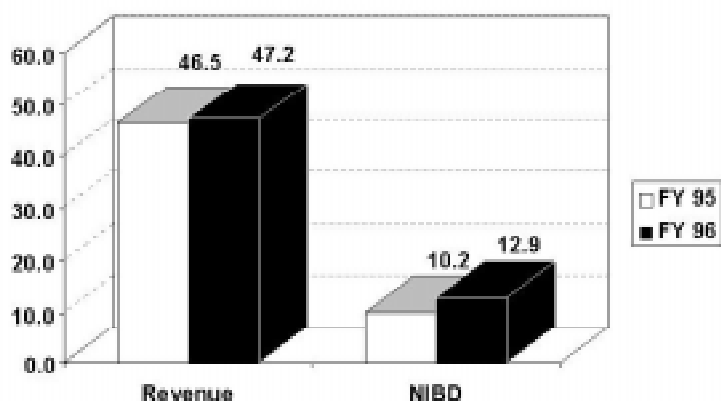


Figure 5-23

Financial Information

Army Average Data

	FY 95	FY 96
COGS	37.4%	37.9%
Labor	48.8%	46.7%
Other Op. Exp.	22.9%	21.8%

Figure 5-24

LEISURE TRAVEL

Leisure Travel revenue decreased from \$20.8M in FY 95 to \$13.0M in FY 96, while NIBD increased from \$4.9M to \$5.1M during the same period. In order to look at the causes for these changes we must look at the Information, Ticketing and Registration, Consolidated Ticket, and Commercial Travel Operations programs.

The ITR program, excluding CTO income, generated NIBD of \$23,800 on revenue of \$7.9M during FY 96, as compared to NIBD of \$253,684 on revenue of \$16.2M in FY 95. The decrease in revenue was due to change in accounting policy that no longer records gross sales price of consignment tickets, but counts only the mark-up as revenue. A lesser impact was caused by the transfer of ITR functions to CTO contractors, thus eliminating ITR revenue.

resort destinations throughout CONUS. The program is expanding rapidly by providing mutual advantage to customer, seller, and attraction operators. Installations incur no obligation until the universal voucher is sold to a customer.

In July 1996, a federal appellate court ruling directed deposit of CTO concession fees to the U.S. Treasury. This threatened, briefly, annual revenues to Army NAFIs of about \$6M. The final ruling limited impact to a single site; however, DOD was enjoined from considering leisure travel concession fees in the award of official travel contracts. Future DOD travel contracts will require separate evaluation by transportation and MWR panels and separate awards. Though requests for proposals will recognize the value of awarding both official and leisure travel to a single contractor, separate

contract awards are possible. In 1997, three Army regions are expected to procure new travel contracts: Alaska, Korea, and DTR 3.

NAF Operations
\$ Millions

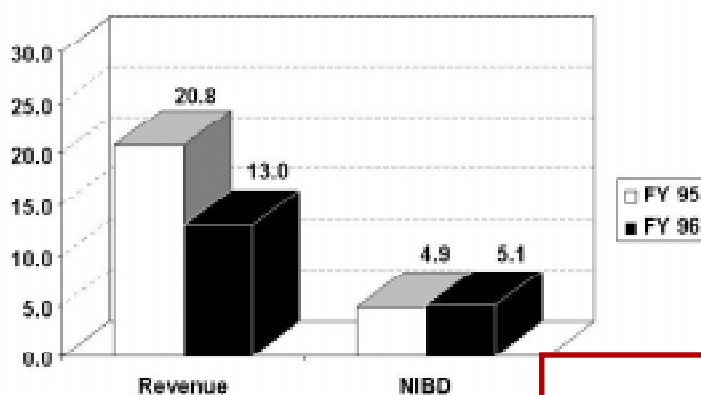


Figure 5-25

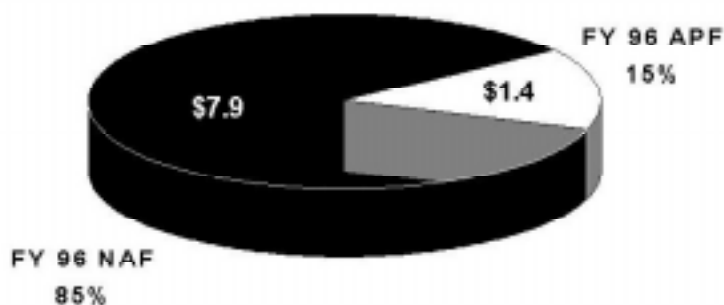
Figure 5-26

CTO payments to NAFIs increased in FY 96. NAF financial statements show revenues of \$5.1M reported under Leisure Travel business codes with an additional \$600,000 of revenue reported incorrectly under other program codes. Actual payments were \$5.7M in FY 96 as compared to \$5.4M in FY 95.

CFSC expanded the Consolidated Ticket Program to include MCI telephone calling cards; in slightly more than 6 months, NAFIs reported sales equivalent to more than 20,000 50-unit cards. The CTP has begun to test-market the sale of Golf Passports for PGA courses in the Myrtle Beach area (available to North and South Carolina installations only).

Finally, CFSC introduced a Military Ticket Voucher (MTV) in mid-1996. CFSC provides sequentially numbered vouchers sold by ITR offices and accepted for admission to nearly 40 theaters and theme and water parks at principal

Total Operating Costs
\$ Millions



Financial Information

Army Average Data

	FY 95	FY 96
COGS	91.3%	89.1%
Labor	9.4%	14.9%
Other Op. Exp.	47.5%	25.2%

Figure 5-27

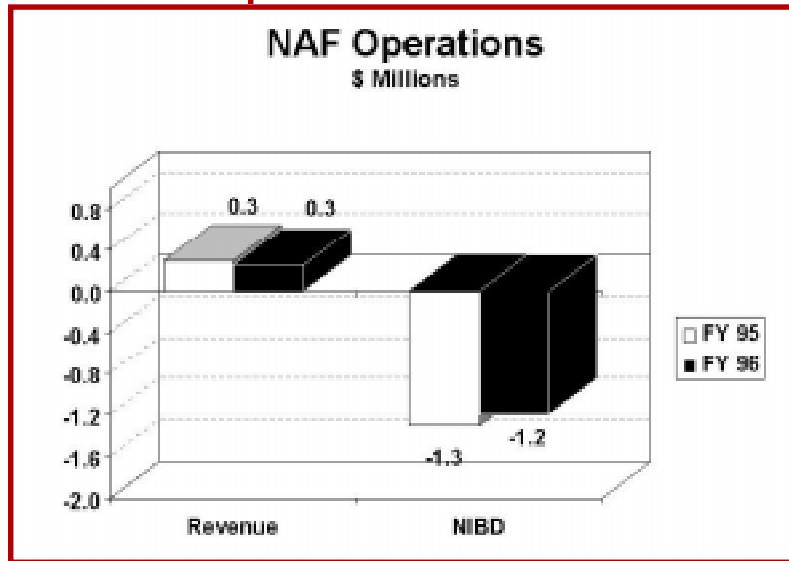


Figure 5-28

The Army has 142 libraries

*74% of soldiers who use libraries do so
for education and reference*

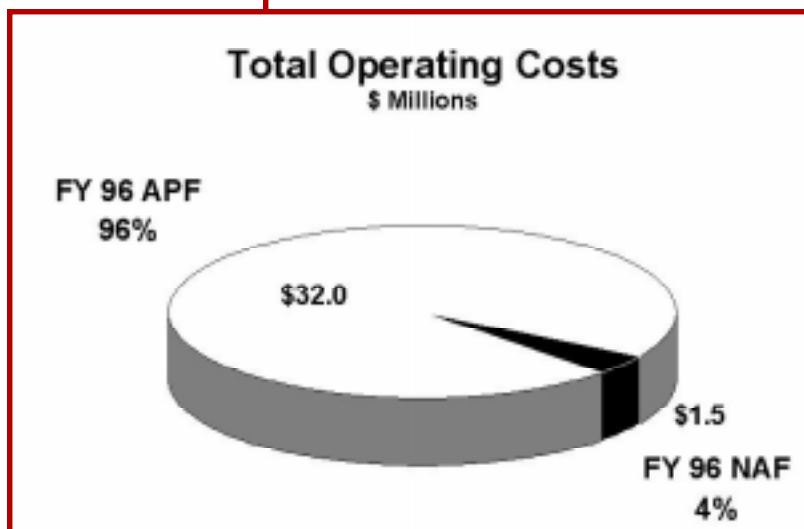


Figure 5-29

LIBRARIES

Total APF funding for libraries was \$32.0M, up \$4.4M from FY 95. APF expenditures covered the cost of labor for librarians, technicians, new equipment, maintenance and development of library collections/services. NAF operating costs decreased by more than \$200,000. These NAF costs funded local national technicians overseas, stateside part-time evening employees, and other operating costs where APF shortfalls exist. As a result of the increased APF support and the decreased NAF costs, APF supports 96 percent of the program costs in FY 96 as compared to 94 percent in FY 95.

Libraries continue to play an important role in the military community by providing programs and services in support of leisure reading, community information needs and on- and off-duty education programs. Soldiers and spouses took full advantage of the availability of these facilities and continue to rate them in the top three MWR activities in terms of importance and use.

During FY 96, a central purchase of \$1.2M in reference material (including CD ROMs and on-line databases) resulted in significant savings to the Army while making important contributions to the reference resources available to each community. An additional \$827,000 in APF was spent to send paperbacks to soldiers deployed in locations such as Kuwait, Gabon, Bolivia, and Korea. Soldiers in Bosnia/Herzegovina alone received over 81,000 paperbacks as a result of a CFSC-operated central purchase program.

Libraries continue to “come on-line” both figuratively and literally. Libraries rely more and more on automation, using such tools as in-house CD ROM-based catalogs, automated reference services, and internet access. Future trends point to even heavier use of automation and electronic connectivity. With reduced library staffing and heavier use, these electronic tools become a key workforce multiplier.

SPORTS

The financial status of the Army Sports Program continued on a very positive note, with APF support increasing by \$10.6M to \$80.3M. This increase moves the funding for the program to 86 percent APF versus 14 percent NAF, an increase of 4 percent over FY 95 but still below the Category A goal of 100 percent. The increase in APF contributed to a \$2.0M reduction in NAF operating expenses. This reduction in NAF expenses, accompanied by a \$300,000 increase in NAF revenue, produced a \$3.0M decrease in net loss before depreciation, from \$8.7M in FY 95 to \$5.7M in FY 96.

The APF increase allowed managers to improve the quality of the program by reducing NAF personnel costs and purchasing much needed supplies and equipment. Even though program improvements occurred, many installations still have designated military units providing borrowed military manpower to staff sports and fitness facilities. Operating facilities without the benefit of a professional sports staff negatively affect the ability to deliver quality sports, health, and fitness programs.

Despite funding constraints and use of borrowed military manpower, the program continues to provide soldiers and their families the opportunity to learn and play the sport of their choice. The program continues to provide a wide range of services, including intramural and individual sports, fitness training, health promotion, and aerobics. Sports and fitness are consistently identified in the top five in importance and use by soldiers and their families on numerous Army surveys.

During FY 96, the sports program provided approximately 700 soldier-athletes the opportunity to advance to competition in 15 All-Army Sports. Army teams won 10 of the 15 contested Armed Forces Championships, capturing gold in boxing, wrestling, tennis, golf, men and women's track and field, and women's bowling, softball, basketball, and volleyball.

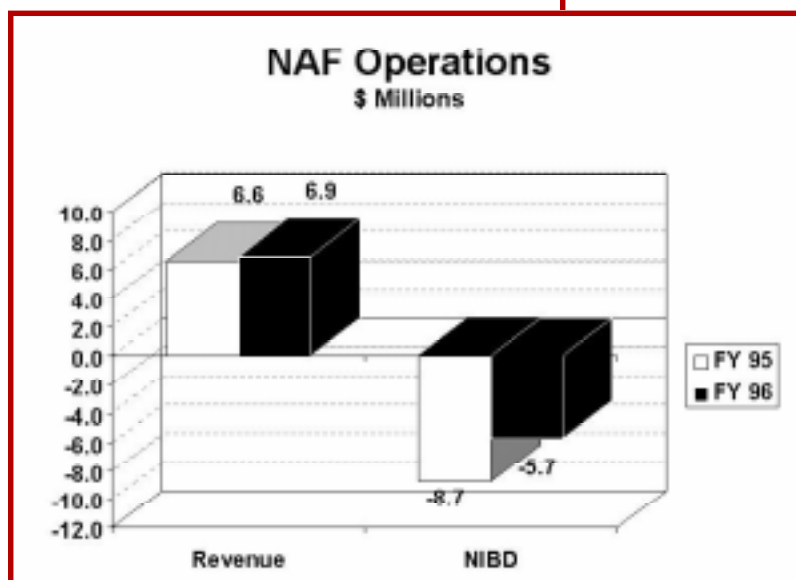


Figure 5-30

500 Fitness Centers and Gymsnasiums

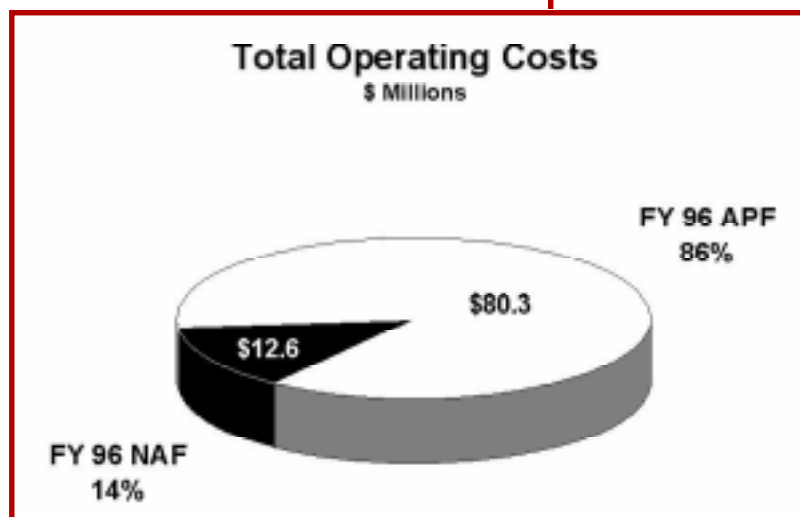


Figure 5-31

In FY 96, Army won 10 of 15 Armed Forces Sports Championships

Financial Information Army Average Data

	FY 95	FY 96
Labor	155.5%	129.0%
Other Op. Exp.	51.4%	39.7%

Figure 5-32

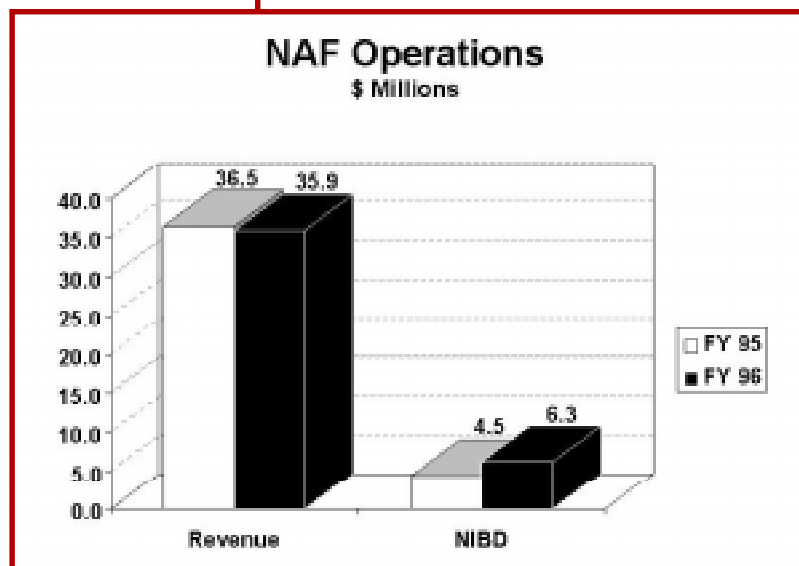


Figure 5-33

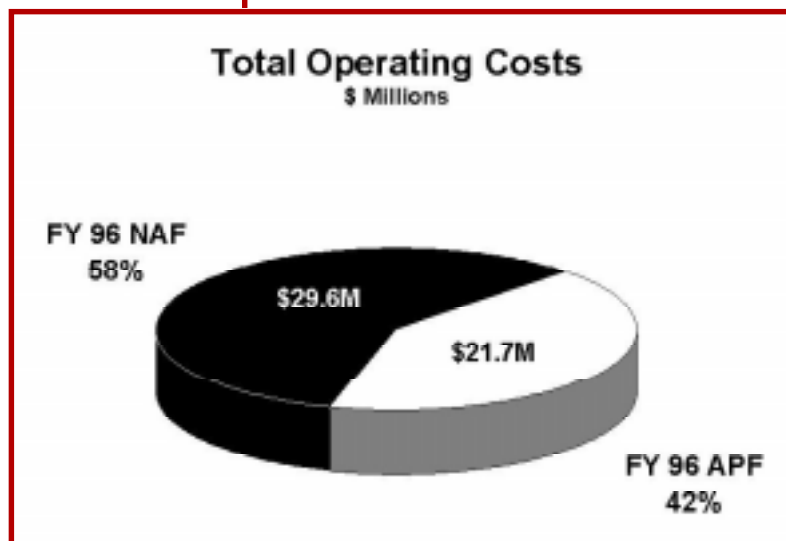


Figure 5-34

OUTDOOR RECREATION

Appropriated fund support increased from \$15.1M in FY 95 to \$21.7M in FY 96. This \$6.6M increase caused the APF funding ratio to climb from 32 percent in FY 95 to 42 percent in FY 96. Even though this was a dramatic increase, it is still significantly short of the DOD goal of 65 percent APF. During the same time period, both NAF revenue and operating expenses decreased by \$600,000 and \$2.4M, respectively. The decrease in operating expenses more than offset the decrease in revenue and resulted in an increase in NIBD \$1.8M in FY 96.

Installation surveys and leisure needs assessments continue to validate the high level of interest in outdoor recreation programs. Surveys report that more than 33 percent of soldiers and family members participate in programs. Outdoor recreation provides adventure, wellness, and recreational activities that contribute to fitness for the military community. Experience on the military installation parallels increased Outdoor Recreation program popularity nationwide and corroborates the need for program growth in our environment.

Customer-driven programming must be the driving force behind development of new activities and facilities. Our programs must provide high-quality equipment, a wide range of "how to" classes, and specialized programming to meet the needs of intermediate and advanced level community participants. Classes such as skiing, rappelling, skeet shooting, and scuba diving appeal to adventurers of all ages and skill levels.

Construction and renovation projects completed in FY 96 will expand program offerings to meet customer needs. Renovation of the Fort Richardson's Seward Recreation area, upgrade of the outdoor park at Fort Bliss, and construction of the Fort Lewis Outdoor Recreation complex improved these installations' ability to offer diverse programs. Future projects include renovation of Fort Benning's Destin Recreation Area and remodeling of the Fort Wainwright Ski Lodge.

Financial Information

Amy Average Data

	FY 95	FY 96
COGS	54.8%	51.6%
Labor	39.6%	39.2%
Other Op. Exp.	29.4%	26.8%

Figure 5-35

WORLD CLASS ATHLETE PROGRAM

During FY 96, WCAP focused on qualifying soldiers for the 1996 Summer Olympics in Atlanta. WCAP entered the pre-Olympic fiscal year with over 70 soldiers assigned. Each of those soldiers hoped to qualify for a space on the U.S. Olympic team in their sport. Striving for that goal, these soldier/athletes captured 123 medals at Armed Forces, National, and International Events. They won the Armed Forces Championships in boxing, wrestling, and taekwondo. Fifty-six WCAP soldier/athletes qualified for U.S. Olympic Team Trials, to include wrestling, boxing, track and field.

The U.S. Army had its best representation on the U.S. Olympic Team since the boycott of 1980. Nine soldiers qualified for berths on the U.S. Olympic team, six of them from the Army Marksmanship Unit. These athletes qualified in Greco-Roman wrestling, team handball, and shooting. Although none of them earned a medal, they all boasted respectable finishes. AMU's SGT Theresa DeWitt came the closest to bringing home a medal, finishing fourth in the women's double trap (shotgun) competition. In men's team handball, the U.S. finished ninth — the highest finish by a U.S. team since handball became an Olympic sport. In Greco-Roman wrestling, SPC Rodney Smith finished ninth in the 149lb weight class and SSG Derrick Waldroup finished seventh in the 198lb weight class. SSG Waldroup, following the Olympics, announced his retirement from competition and will become the coach for the Army Wrestling Team.

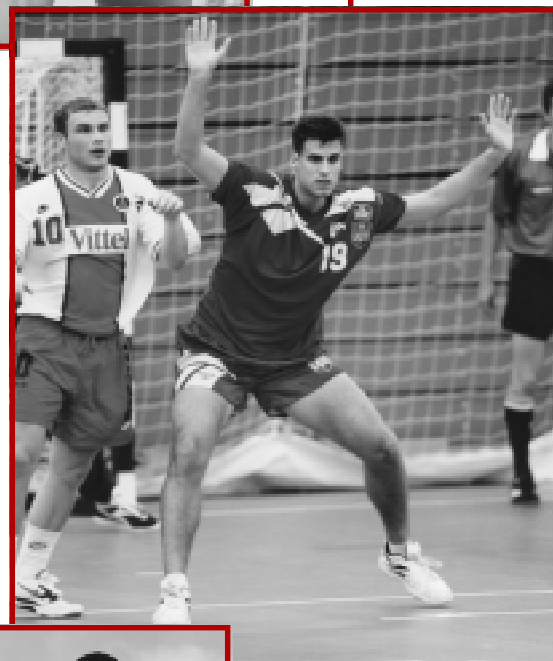
Additionally, four soldiers served on the 1996 U.S. Olympic Team coaching staff: CPT Rhett Nichol, and CPT Rick Oleksyk, Men's Team Handball; SFC Jesse Ravelo, Boxing, and SFC Tony Thomas, Greco-Roman Wrestling. Six soldiers from WCAP captured spaces as alternates on the U.S. Modern Pentathlon, Boxing, Greco-Roman Wrestling, and Women's Team Handball Teams.

In addition to the Summer Games, twelve soldier/athletes assigned to WCAP began training for the 1998 Winter Olympic Games in the sports of Biathlon and Bobsled.

During FY 97, WCAP will move its headquarters and primary training site to Fort Carson, CO. While the boxing, wrestling, and taekwondo teams will be housed and train at Fort Carson and the adjacent National Olympic Training Center, athletes in other sports will be assigned to Fort Carson but train at selected sites around the country.



SFC Cynthia Swift competing at the World Military Games.



ILT Michael Thornberry, U.S. Men's Team Handball, 1996 Summer Olympics.



ILT Jim Gregory, Modern Pentathlon Olympic Alternate

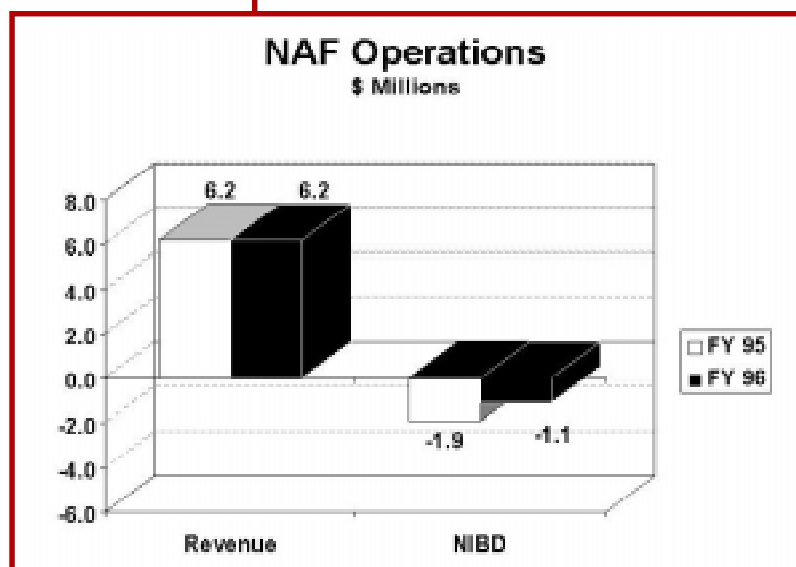


Figure 5-36

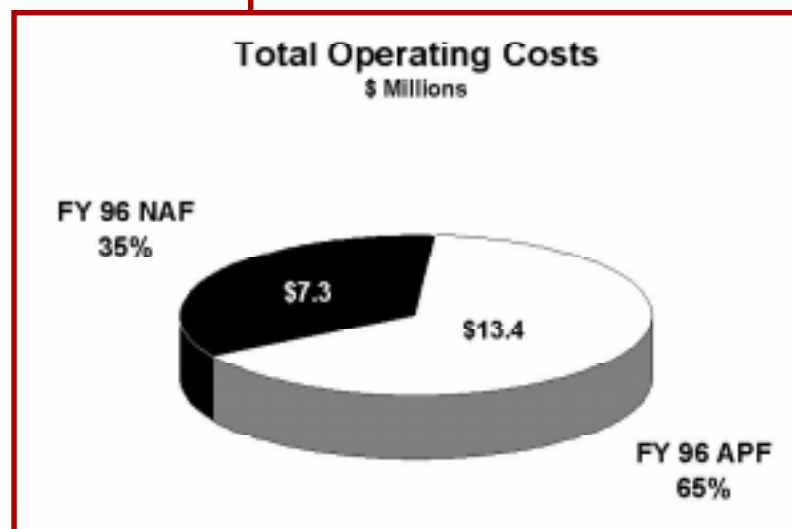


Figure 5-37

RECREATION CENTERS (COMMUNITY ACTIVITY CENTERS)

Recreation Center directors, in comparison to the FY 95 results, improved financial performance, despite a \$300,000 loss in APF support. With revenue remaining constant at \$6.2M, the NAF subsidy improved by \$800,000, from the FY 95 level to \$1.1M in FY 96. While the FY 95 funding mix increased from 63 percent APF and 37 percent NAF to a FY 96 funding mix of 65 percent APF and 35 percent NAF, it is far short of the 100 percent APF authorized for Category A activities.

The improved financial performance can be attributed to customer-driven programming and activities that meet the needs of the military community. Recreation Center directors have become pro-active in their approach by providing high-quality programs, services, and equipment. Nontraditional use of facilities and non-facility based programming are evolving concepts. Future recreation success requires not only diversification and innovation, but customer-driven programs delivered at the best time and in the most desirable location.

Community Activity Centers (CAC) continue to evolve as one method to offer diversified programs. These multi-use facilities consolidate MWR services from several activities, traditionally operated separately, into one building. Services may include food and beverage, educational and special classes, reading rooms, music rooms, arts and crafts, amusement machines, table games, computer labs, library annexes, entertainment activities, and other social activities. There is no standard or ideal design in planning a CAC other than to meet community needs. Funding is determined by the category of the component activities.

New construction is but one option to attain a CAC configuration. Often installations identify an existing building and consolidate programs with only minor renovations.

Financial Information

Army Average Data

	FY 95	FY 96
COGS	48.0%	49.6%
Labor	54.0%	48.7%
Other Op. Exp.	66.5%	58.3%

Figure 5-38

YOUTH SERVICES

YS programs continue to provide affordable, safe activities for youth during non-school hours. Total program costs decreased from \$53.4M in FY 95 to \$49.1M in FY 96; total APF support decreased from \$37.2M to \$36.5M during the same period. Direct APF support for FY 96 was funded at \$20.9M and executed at \$28.2M (a 134 percent execution rate) as commanders reprogrammed dollars for YS use. The YS program is now 74 percent funded with APF as opposed to 70 percent in FY 95.

The NAF subsidy for YS fell dramatically from \$4.7M in FY 95 to \$2.4M in FY 96. This reduction is attributed to continued management efforts to control expenses even with falling NAF revenues. NAF labor and other operating expenses decreased \$1.9M and \$500,000, respectively. This decrease more than offset the \$1.3M reduction in revenue and, when combined with a \$1.1M reduction in other expenses, generated the \$2.3M dollar decrease in NAF subsidy.

Focus continued on training YS staff to meet the needs of youth. Ninety-six installation school-age and teen staff attended a two-week training course in adolescent growth and development. A week-long training session provided staff with teen curriculum skills and the knowledge and methods to implement teen programming on the installation. Staff were trained to utilize program materials in support of newly installed computer labs, homework centers, workforce preparation programs and sponsorship initiatives.

During FY 97, staff will continue to receive technical assistance to build the fundamental programs of fitness and sports, life skills and leadership, leisure and recreation, and intervention and support services. These fundamental programs remain the core services that comprise the youth program for the future and form the base that allows youth to develop the skills they need to make positive life choices.

*In FY 96, Youth Services served
88,884 youth*

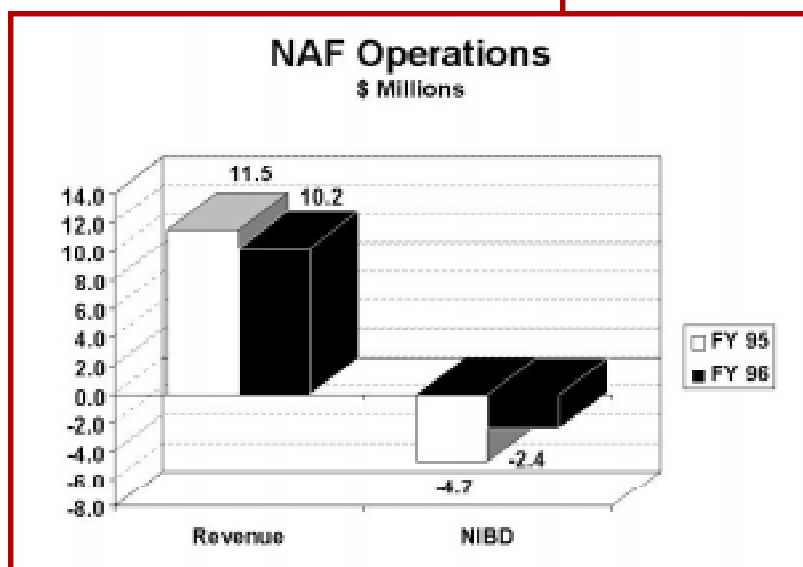


Figure 5-39

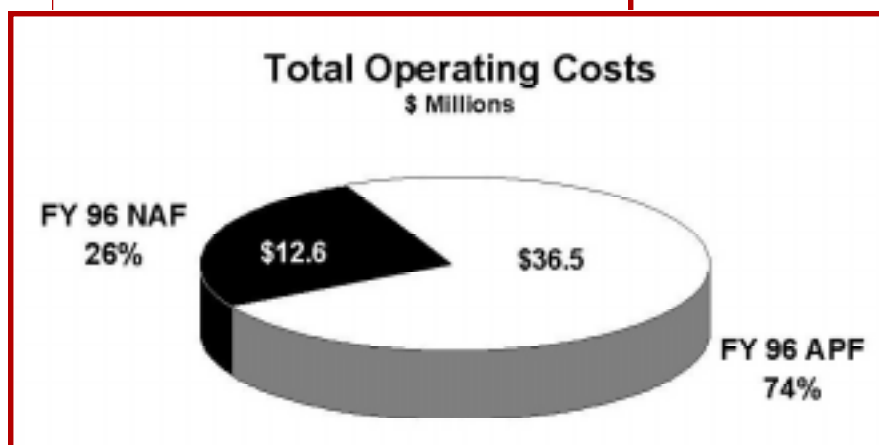


Figure 5-40

Financial Information

Army Average Data

	FY 95	FY 96
COGS	54.9%	54.6%
Labor	87.5%	79.4%
Other Op. Exp.	38.2%	38.1%

Figure 5-41

Audit Results

PROCESS

Independent commercial auditors audited the balance sheets, statements of operations, changes in fund balances, and cash flows for the year ended 30 Sep 95. An unqualified audit opinion was rendered for the Army Morale Welfare and Recreation Fund, NAF Employee Retirement Plan, Central Insurance Fund, Banking and Investment Fund, Medical/Life Fund, Hospitality Cash Management Fund, NAF Employee 401(k) Savings Plan, Billeting Fund, Recreation Machine Trust and Operations Fund, and the Armed Forces Recreation Centers in Europe, Korea, Florida, and Hawaii. These audits are required annually by DOD Instruction 7600.6.

Auditing standards issued by the Comptroller General of the United States require that the auditors plan and perform these audits to obtain reasonable assurance that the financial statements are free of material misstatement. These audits include examining, on a test basis, the evidence that supports the amounts and disclosures in the financial statements. The audits also assess the accounting principles used and significant estimates made by management and evaluate the overall financial statement presentation. The auditors believe their audits provide a reasonable basis for their unqualified opinion. Financial audits for FY 96 are in progress.

Significant results of functional audits performed by the U.S. Army Audit Agency and installation Internal Review Offices and issued during FY 96 were briefed to the MWR Board of Directors Audit and Executive Committees.

IMPLEMENTATION OF CASH SWEEP

On 30 December 1994, the Army swept \$70.9M from MWR programs at various installations in compliance with the House Armed Services Committee's Report. Nineteen installations were audited. Results showed that 79 percent (15 installations) adequately implemented the cash sweep procedures. The MWR Board of Directors Executive Committee directed that the amounts identified in the audits for the remaining four installations also be swept.

AUDITS IN-PROGRESS

U.S. Army Audit Agency audits in progress during FY 96 concern Selected Installation Morale, Welfare and Recreation Financial Controls, Commercial Sponsorship, and Budgeting for Child Care Services.

AUDIT WORK YEARS

Time spent by USAAA and Army Internal Review offices auditing NAF programs is shown at figure 6-1. NAF audit time dedicated by USAAA decreased between FY 95 and FY 96, from 14 to 9 work years. Installation Internal Review offices' audit time increased from 46 to 61 work years in FY 95 and FY 96, respectively.

Figure 6-1

